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Governor's Budget Summary

PETE WILSON
GOVERNOR
STATE OF CALIFORNIA



1996-97

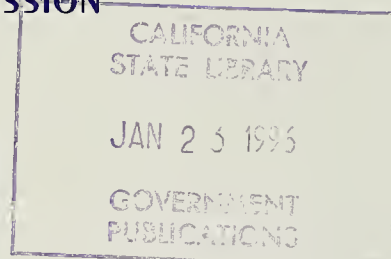
Governor's Budget Summary

submitted by:

PETE WILSON, GOVERNOR
STATE OF CALIFORNIA

to the:

CALIFORNIA LEGISLATURE
1995-96 REGULAR SESSION



1996-97

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PETE WILSON
GOVERNOR

State of California

GOVERNOR'S OFFICE



January 10, 1996

To the Senate and the Assembly of the California Legislature:

I submit for your consideration the Governor's Budget for 1996-97.

We begin 1996 with a welcome change from recent years. The past year has seen a broad-based economic recovery in California, with growth that is outpacing the nation and which has generated additional revenue for the state. I firmly believe that this is in large part the result of reforms in the tax and regulatory structure that we have worked to enact in recent years.

This budget invests our increased resources in areas where the state will realize the greatest long-term rewards -- in primary and secondary education, in our colleges and universities, in public safety, in infrastructure, and in preventive programs designed to give our children a better and healthier opportunity to grow and learn.

But as welcome as this growth is, experience tells us that we cannot rest on our accomplishments. Other states certainly are not complacent; 20 enacted tax reductions last year in an effort to lure job creators and attract investors. To ensure that our economic growth continues and expands, the budget reflects further reforms to California's tax system and efforts to further improve the state's business climate.

And the state must also move forward to confront two issues that we cannot afford to ignore: the undeniable crisis of juvenile violence, and the growing societal consequences of unwed and teenage pregnancy. This budget contains broad-based initiatives to address these urgent issues.

By investing in California's future, this budget will build on the accomplishments we have made, and create greater opportunity for all Californians.

Sincerely,

A handwritten signature in blue ink that reads "Pete Wilson".

PETE WILSON



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STATE OF CALIFORNIA

DEPARTMENT OF FINANCE

OFFICE OF THE DIRECTOR
STATE CAPITOL, ROOM 1145
SACRAMENTO, CA 95814-4998



January 10, 1996

Dear Governor:

As Director of Finance, I submit to you the 1996-97 Governor's Budget.

Clearly, California's economy turned the corner in 1995. The strong and broad-based growth has placed the State in the welcome position of having additional revenues to invest in priority programs. This is a direct result of the fiscal discipline that you have insisted upon, as well as your tax and regulatory reforms that the Legislature has approved to make California more attractive to job creators and investors.

However, if we are to continue and expand recovery, we must build on these reforms. To encourage further economic growth, the budget reflects further reforms in California's tax structure and complements your ongoing efforts to reform our regulatory climate.

This budget invests these increased revenues in areas where the State will earn the best long-term dividends -- in K-12 education, in our universities and colleges, in public safety, and in the state's infrastructure. And consistent with your belief that prevention, rather than remediation, is the best way to address societal problems, the budget increases investment in key preventive programs.

The budget also reflects the historic change underway in Washington to give states both the revenue and the responsibility to take over federal welfare programs through a block grant. The welfare reforms that this Administration has already enacted put California in a far better position than other states to undertake this new responsibility, and move more people out of welfare and into the workforce.

Again this year, the development of this financial plan could not be done without the dedication and hard work of the staff of the Department of Finance. They have my deep appreciation and thanks for their efforts.

Sincerely,

A handwritten signature in blue ink that reads "Russell S. Gould".

RUSSELL S. GOULD
Director



Investing In California's Future

Overview of the Governor's 1996-97 Budget

Having weathered a period of unprecedented economic challenge, California begins 1996 in the midst of a sustained and broad-based economic recovery, one that economic observers throughout California believe will continue through the year and will outpace the nation's rate of growth.

Jobs have grown in California at such a strong pace that by July of 1996, total employment will have returned to the levels experienced before the economic recession began in mid-1990 (See Figure A). And just as important as the number of jobs in California are the industries in which California is enjoying this job growth.

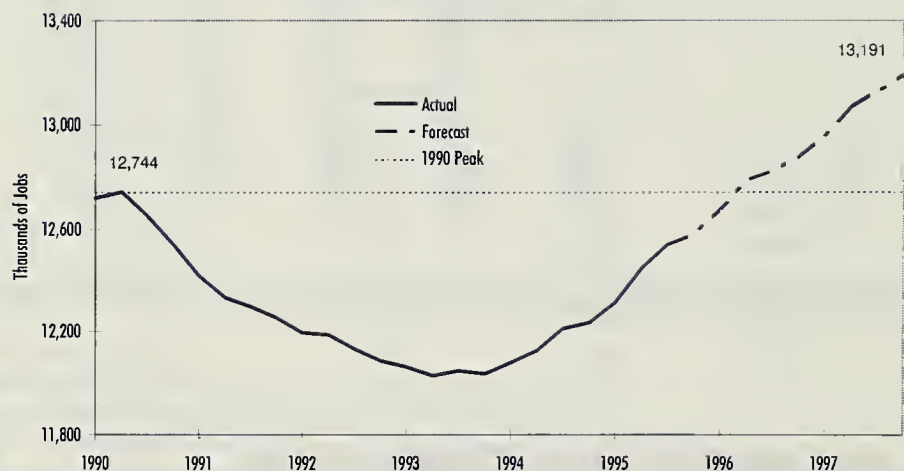
Of the more than 300,000 jobs created in California over the past year, many are in high-wage industries such as wholesale trade, health care services, and engineering and management consulting. Overall, the job growth has been broadly based throughout different sectors of the state's economy. As a result, California's economy is in a stronger position to withstand any potential decline in a given industry, which was not the case when federal spending cuts in defense sent California into recession.

Other encouraging signs for the state's economy include:

- ✦ California exports grew by 19 percent in 1995, marking the second year in a row of strong, double-digit growth.
- ✦ 1995 job gains in computer-related services, motion picture production, electronic components,

FIGURE A

California's Employment Recovery
California Nonfarm Employment
(Interim Benchmark Series)



and capital goods machinery manufacturing—industries where average annual wages are more than \$50,000—were more than twice the number of jobs lost in aerospace employment.

- ✦ Even federal defense and aerospace spending has shown some positive signs, with new orders being received for both civilian and military aircraft in 1995.
- ✦ The out-migration of Californians to other states, which reached historically high levels in the early 1990's, has stabilized and is reversing.
- ✦ Business tax reductions, as well as reductions in the top personal income tax rates, have lowered California taxes by \$800 million in 1995-96, promoting job creation and economic growth.
- ✦ The cost of workers compensation premiums paid by California employers has dropped by nearly \$4 billion compared to what they paid in 1993—a direct result of 1993's workers compensation reforms.
- ✦ As California is recognized as the home of many emerging growth and export industries—such as electronics, multimedia, entertainment, and biotechnology—the potential for further economic growth is tremendous.

MAINTAINING FISCAL DISCIPLINE

While California's economy is returning to its pre-recession employment strength, one trend from that era will not return: autopilot spending by California state government. During the recession, California made the necessary choices to bring state spending in line with revenues. For the fifth consecutive year, the Governor's Budget continues the fiscal discipline necessary for

California to live within its means (see Table A), where spending from the State's General Fund is being held below the amount of General Fund revenues.

These choices made by the Governor and the Legislature to control state spending are paying dividends in the area of entitlement programs, where California is ahead of the nation in improving outcomes while reducing costs. In welfare, where the number of recipients was growing at a double-digit pace in the early 1990s, caseload growth is now essentially flat as more people have moved into the workplace (See Figure B). Many of the welfare reforms that California has already put forward—making work pay, requiring teen mothers to live at home to receive assistance, limiting grant increases on the number of additional children—are reflected in federal measures to reform entitlement programs.

In Medi-Cal (California's Medicaid program), the state has led the nation in the effort to contain costs while promoting access to care. Through such strategies as managed care, reviewing appropriate service use, selective contracting with health care providers, and

TABLE A

General Fund Revenue and Expenditures

(Dollars in Billions)

| | Revenues | Expenditures |
|---------|----------|--------------|
| 1991-92 | \$420 | \$43.3 |
| 1992-93 | \$40.9 | \$40.9 |
| 1993-94 | \$40.0 | \$39.0 |
| 1994-95 | \$42.7 | \$42.0 |
| 1995-96 | \$45.0 | \$44.2 |
| 1996-97 | \$45.6 | \$45.2 |

setting different levels of long-term care based on patients' medical needs, California has achieved the lowest per capita cost of any industrialized state in the nation. California is positioned to lead the way again in another area of long-term care. As a result of an Administration initiative, the state will be implementing a number of long-term care pilot programs to test strategies that better integrate and coordinate the array of home, community, and institutional long-term care programs available to vulnerable populations.

California's accomplishments in these areas have placed the state in a better position to assume full responsibility for welfare and Medicaid programs from the federal government—a responsibility for which the Administration has advocated. However, the state's willingness to assume this responsibility is coupled with an insistence on receiving a fair allocation of federal dollars, as well as the freedom to design programs that meet the needs of Californians.

Consistent with both the Governor's priorities and his commitment to stay away from autopilot spending, this budget assumes prior-year reductions in health and welfare programs, including eliminating guaranteed cost-of-living adjustments as well as ending the Renter's Credit program, saving \$1.7 billion.

INVESTING IN CALIFORNIA'S FUTURE

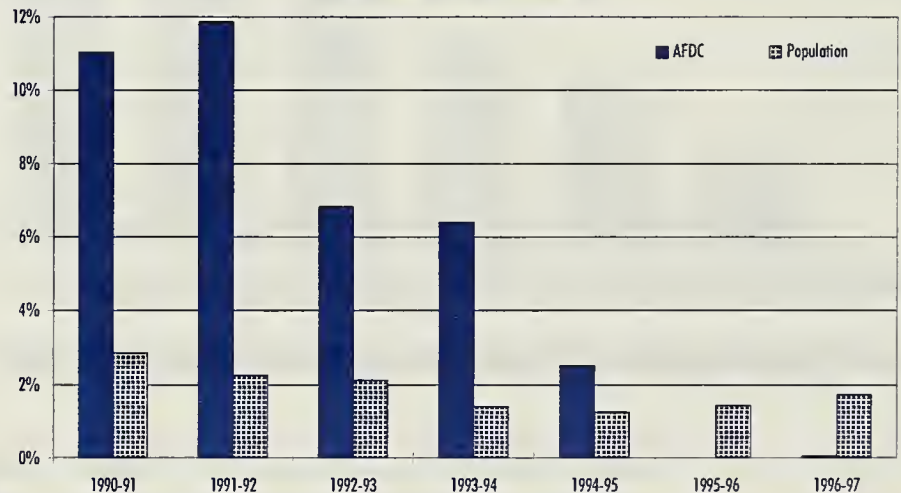
With the recession having diminished state resources in the early 1990's, the Governor chose to invest those scarce dollars in areas where California would eventually receive the best return on its investment—in education, in public safety, and in preventive programs designed to address societal problems at the front end, rather than deal with them in more expensive remediation programs. While the state's economy and resources are much improved from recent years, the need to invest wisely has not diminished.

The Governor's Budget builds upon these priorities, with increased investment and new initiatives in key areas:

An Investment in K-12 Education—The Governor's Budget proposes to spend more than \$31.9 billion in total funds for primary and secondary education—an increase of \$6.9 billion over 1990-91 (see Figure C). The budget provides K-12 education an additional \$768 million in General Fund support for 1996-97. When combined with 1995-96 budget increases, K-12 classrooms will have received \$6,800 more per classroom compared to 1994-95 levels. The budget includes \$100 million for initiatives to ensure that students are grounded in the basic skills of reading and mathematics, \$100 million to acquire computers and educational technology, and more than \$65 million to remove disruptive students and create a safe school environment.

FIGURE B

Annual Percentage Change in AFDC Caseload and California Population

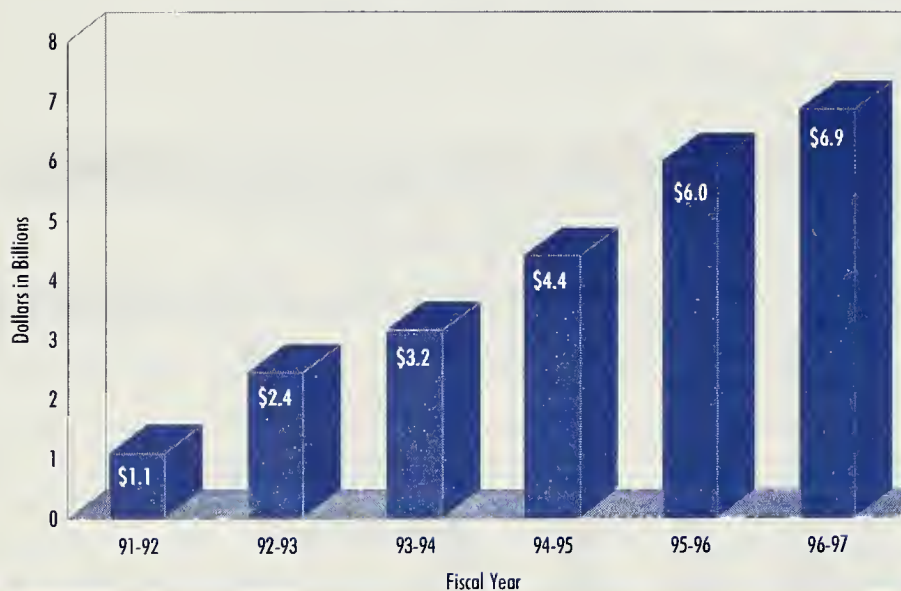


An Investment in Higher Education—The Governor's Budget fulfills the second year of the Governor's four-year compact with the University of California and California State University, with UC's general fund budget increased by \$110 million and CSU's general fund budget increased by \$102 million. The budget reflects no increases in student fees for either UC or CSU. And California's Community Colleges—which are an important link in workforce preparation—will see their General Fund budget increase by \$101 million with no increase in student fees. The budget also contains increased funding for student financial aid.

An Investment in Public Safety—Building on Californians' clear commitment to making public safety a top priority, as evidenced by voters' approval of Proposition 172 and the "Three Strikes" initiative, the Governor's Budget contains a broad-based initiative to reduce juvenile violence and dismantle violent street gangs, and includes a new program designed to allow taxpayers to dedicate greater financial resources for city and county law officers in their community. The budget also provides funding for additional trial court judges, and moves toward state assumption of funding for the court system.

FIGURE C

Total Revenue Growth for K-12 Since the 1990-91 Fiscal Year



An Investment in Prevention—Recognizing that the dramatic growth in unwed and teenage pregnancies have created tremendous societal and fiscal consequences, the Governor's Budget expands the State's commitment to prevention programs through the creation of a public/private partnership. The Budget provides \$34 million to attract matching grant funds for communities to reduce unwed and teenage pregnancy. The Budget also includes \$6 million to expand prosecution of statutory rape, \$15 million which expands the California Mentor Initiative, a \$10 million increase in the Healthy Start program, and a \$20 million augmentation to ensure the availability of contraceptive services to more low-income women.

An Investment in California's Infrastructure

—To ensure long-term economic growth, it is critical to increase investment in the foundation of California's future—in education, in transportation, resources, and in public safety. The Governor's Budget continuing an infrastructure plan that includes bonds for essential projects in both K-12 and higher education, in public safety, in seismic safety, and in water resources and the recently-created infrastructure bank.

An Investment in California's Competitiveness—California remains a high-tax state, and with two out of every five states voting to significantly lower their tax rates in 1995, failure to further reform the state's tax structure threatens further growth and puts California at a competitive disadvantage. To ensure that California's economic growth continues and expands, the Governor's Budget proposes: a 15-percent reduction in personal income and corporate tax

rates over three years; increasing the expensing allowance to assist small business in equipment investment; increasing the research and development tax credit from 8 percent to 12 percent, and other tax changes to spur job creation. These tax changes, coupled with continuing efforts to improve the state's business climate, will encourage long-term economic growth.

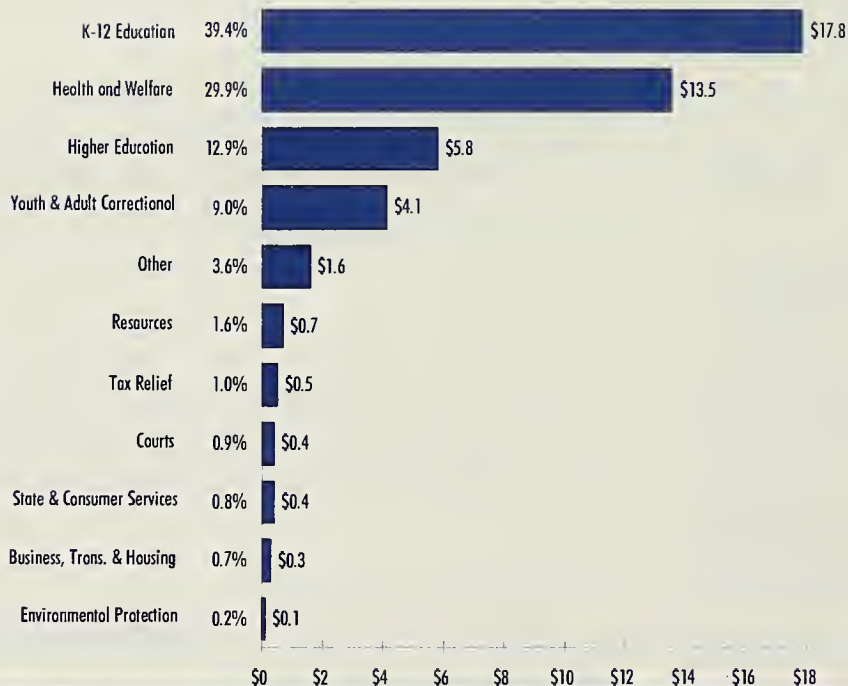
The principles reflected in this financial plan are as direct as they are far-reaching:

- ✦ A commitment to expanding the state's economy;
- ✦ An insistence that state government continue to live within its means;
- ✦ An emphasis on keeping communities safe from violent crime;
- ✦ A belief that the best way to address societal problems is through prevention instead of remediation;
- ✦ A recognition that reduced taxes and relief from regulatory burdens will promote job growth, economic expansion, and greater opportunity for the next generation of Californians;
- ✦ A commitment to essential infrastructure as the foundation for California's future;

The Governor's Budget—a plan for Investing in California's Future—provides the means and the vision to maintaining these principles. ➤

FIGURE D

**1996-97 General Fund Expenditures
(Dollars in Billions)**



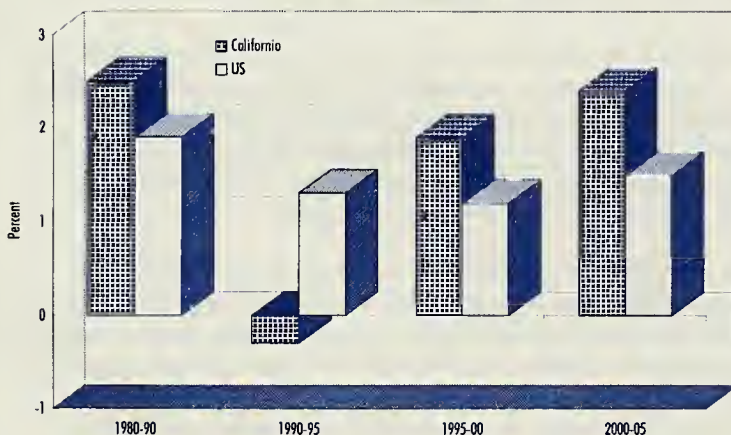
California's Economy: A Longer Range Perspective

The California economy that emerged from the long, deep recession of the early 1990's is very different in several important respects from the traditional California economy of the post-World War II era. Looking back as little as two or three years, it would have been difficult to forecast a recovery of this magnitude occurring with defense-related industries still losing more than 20,000 jobs per year, home construction of less than 100,000 units annually, and continuing restructuring in such traditionally stable industries as financial services and the utilities.

Yet, California's economy created more than 300,000 new jobs in 1995, and is on course to repeat that performance both this year and next. Moreover, much of this growth represents jobs in high-skill and high-pay industries such as computer software and systems, motion picture production, engineering and management consulting, export-related wholesale trade, and electronics manufacturing. Most of these are service-producing jobs, but all of them are in export industries, bringing income to California from outside the state and providing a solid base for economic recovery.

FIGURE A

Nonform Employment Growth
Average Annual Percent Change



Last year, the 24,000 new jobs created in a single industry—computer software and systems—exceeded the combined losses in the entire defense-related sector, which includes aerospace manufacturing (aircraft, missiles and space vehicles, and search and navigation instruments) as well as federal Department of Defense jobs. Average wages in this computer services industry, at more than \$58,000 per year, exceed the wage level in the aerospace manufacturing sector by a considerable margin. In other words, concerns that California is replacing highly paid defense

“...California’s economy created more than 300,000 new jobs in 1995, and is on course to repeat that performance both this year and next.”

jobs with low-pay service occupations are simply misplaced. All told, computer services now employ 160,000 Californians, one-third more than electronic components, the State's leading hi-tech manufacturing industry.

The loss of over 230,000 jobs in aerospace—60 percent of the industry workforce—has been acutely painful. The secondary effects these losses and of the military base closings rippled throughout the state's economy, accounting for more than 500,000 of the 730,000 jobs lost in the recession. Undoubtedly, the deep downturn in real estate, partly traceable to overbuilding in the late 1980's, was exacerbated by the steep decline in the aerospace sector industry, which only seven years ago, was California's leading export industry.

However, California's economy is emerging on a much more solid footing. This recovery has been led by exports, which posted strong double-digit percentage increases in both 1994 and 1995, and by explosive growth in such emerging industries as multi-media and biotechnology.

In foreign trade, California is capitalizing on its position at the edge of the Pacific Rim and adjacent to Latin America. The Los Angeles Customs District—the ports of Long Beach and Los Angeles and the Los Angeles International Airport—has passed New York-New Jersey to become the nation's leading port complex, and California is by far the nation's largest exporter.

Multi-media is, among other things, a marriage of the electronics industry in the Bay Area and the creative talent of Southern California's world-leading entertainment industry. The smash hit of 1995's holiday motion picture season, *Toy Story*, was produced by Walt Disney Studios in Burbank, with computer animation by Pixar in Richmond. Of course, "multi-media" is still defining itself and even now extends well beyond entertainment. Much of the software—and hardware—for the Internet is California-grown. The point is that in terms of hardware, software, and creative talent, California is at the heart of this electronic and information revolution.

These and other rapidly expanding, innovative, high-technology industries provide a far more diverse economic base for the state's future economic growth. These industries are far less susceptible to the wide swings in demand experienced in the defense industry, which essentially has relied on one very large customer for the bulk of its sales. By contrast, these industries in essence are creating their own demand with the innovative and imaginative products and services they invent. Moreover, many of these high-technology services, by their very nature, are far less cyclical than manufacturing.

The expanding role of exports demonstrates that California's economy is diversifying geographically as well as industrially. Because the world's economies are rarely cyclically in step with one another, continued gains in trade are an important element in securing the state's future economic stability.

None of this is to suggest that California will be immune to effects of the national business cycle. Indeed, with the current national expansion now almost five years along, history suggests that a cyclical setback is likely at some point in the next three or four years. However, given California's extremely favorable industry mix and the state's expansion into global markets, the next U.S. business cycle is likely to be far milder in California than in most other areas of the country.

There are a number of other reasons to be optimistic about the state's longer-run prospects. For one, the defense cutbacks were a one-time adjustment, which in the next two years will have largely run its course. There are already signs of a pick-up in commercial aircraft demand, and even defense contracting will soon be on the rise. The Pentagon's proposal to step up purchases of the C-17 transport is the first indication of the turnaround in defense spending, which will become far more evident in the later years of this decade. Aerospace is unlikely to

*"...rapidly
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future economic
growth."*

regain its former magnitude within the State's economy, but it could well be a contributor to growth within the next two to three years.

In a similar vein, California is much further along in the restructuring of its financial services and utilities industries than most other parts of the country. Neither of these sectors is contributing to the current upturn, but it is likely that these adjustments will have been essentially completed before the end of the decade.

So far, this recovery has featured only a modest increase in construction activity. Homebuilding in particular has remained depressed, despite solid gains in jobs and income. Home prices have declined, although there is evidence of stabilization in recent sales data. The price adjustment, while difficult for many, is one of several factors which in the long run are helping to make the state more competitive. In 1989, median home prices in California had reached 225 percent of the national average. This wide disparity was simply not sustainable, and while prices still remain above the U.S. level, the gap has now narrowed by more than 50 percentage points.

The combination of lower home prices, low interest rates, and solid job growth will eventually encourage housing and construction to join the state's upturn. While the near-term outlook is for only modest increases in homebuilding, California's housing sector will gradually improve over the next several years.

The experience of the early 1990s also has had an important and profound effect on public policy. If there is a "silver lining" to the dark cloud of this recession, it may be found in changing attitudes on a variety of job-related and growth-related public policy issues, including regulation, taxation and government-mandated costs, as, for example, in the area of workers' compensation. These subjects are covered in more detail in the chapter intitled *Strengthening California's Competitive Position*. Suffice it to say that the public policy climate for economic growth has improved significantly in this decade, and will improve further in the years ahead.

To sum up, there is a long list of reasons to be optimistic about California's economic future. The state has weathered the worst of the defense cuts, and is now embarked on a vigorous economic recovery. New, high-paying industries have emerged to replace the old, and California is in the best position, in terms of its industry mix, to benefit from the new information age.

Finally, the state's economy is now far more diverse in its industrial structure, and has been extremely successful in expanding its markets overseas. The restructurings in aerospace—and in finance and the utilities—are one-time adjustments, and once completed, will help provide a more solid and efficient economic base on which to grow. ☞

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Strengthening California's Competitive Position

The vigorous economic recovery now underway has clearly benefited from a variety of measures taken by the Governor and the Legislature to improve California's business climate and its competitive position in the national and global marketplace. Policies that ease the burdens of taxation, regulation and government mandated costs are all helping to provide the environment for economic growth necessary for a solid and enduring expansion.

The deep recession highlighted a set of serious economic policy deficiencies which had been allowed to develop during the years of booming economic growth in the late 1970s and 1980s. These included:

- ✦ A heavy-handed and often fragmented regulatory structure that paid little or no heed to the economic consequences of its actions.
- ✦ Costly and often uncontrolled mandates on employers, such as a workers' compensation system which was among the nation's most costly and least effective in providing assistance to those who actually suffered industrial injury.
- ✦ A tax structure which penalized hard work, risk-taking and productive investment.
- ✦ A civil liability system which earned California the reputation as one of the most litigious regions of the nation—if not the world—adding unnecessary business costs and risks, and placing the state at a competitive disadvantage in national and international markets.

The industries now powering California's economic resurgence—computer services, motion picture production, electronics manufacturing, biotechnology, and business professions and services—are free to locate wherever they wish. Unlike heavy manufacturing, they are not dependent on natural resources or a fixed transportation network. They need not be close to their markets. Each of these industries is characterized by a high degree of entrepreneurship, risk-taking and mobility. In short, they are not compelled to locate in California.

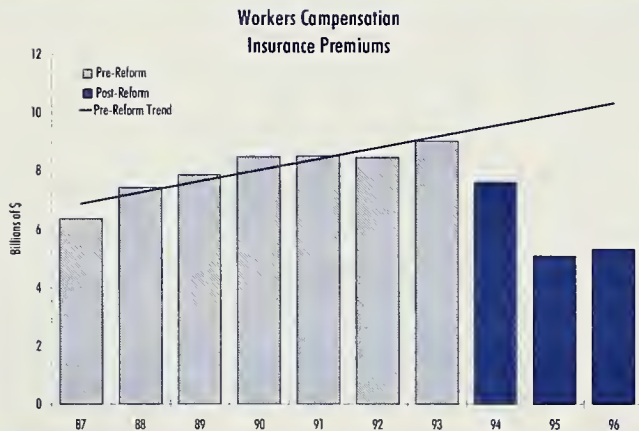
From the very start, the Governor recognized that California could not expect real and lasting economic recovery unless and until the State was willing to face the competitive realities of the marketplace and of its new industrial base. The Governor and the Legislature have already taken some important first steps to improve California's business climate, enhance the state's competitiveness and secure its economic future. Some of the more important initial measures include:

"The vigorous economic recovery now underway has clearly benefited from a variety of measures taken by the Governor and the Legislature."

Workers' Compensation Reform. A major reform of the workers' compensation system is already resulting in annual reductions of nearly \$4 billion in employer premiums, compared to 1993 costs, while substantially increasing assistance to injured workers. (See Figure A)

Business Tax Reforms. A targeted business-tax reform bill, Chapter 881, Statutes of 1993 (SB 671), provides a 6-percent tax credit on the purchase of manufacturing equipment for existing firms, and an exemption from the 5-percent state sales tax for new companies. Previously California was one of only six states to tax manufacturing equipment, which added directly to the cost of productive investment in the state, and encouraged manufacturers to locate elsewhere.

FIGURE A



This legislation also eliminated the "water's edge" election in the calculation of corporate profits for multinational firms—an important step to encourage foreign investment in the State. In addition, this bill included a 50-percent capital gains exclusion for small business, reduced the surtax applied to subchapter-S small business corporations from 2.5 percent to 1.5 percent, and made permanent and expanded the state's research and development tax credit.

Other important tax measures include bills which: create special economic development zones to stimulate growth in areas affected by the 1992 Los Angeles riots and by military base closures; allow new start-up firms to carry-over 100 percent of losses incurred in the first

three years of business for up to eight years; modify the franchise income tax allocation factors to double-weight sales (thereby encouraging the production of export goods and services in California); and authorize the formation of limited liability companies and partnerships, thus increasing the flexibility that small businesses have in structuring their firms.

Personal Income Tax. The 10-percent and 11-percent top marginal tax rates were removed on schedule and as promised effective January 1, 1996.

TeamCalifornia. In 1993, the Governor established "TeamCalifornia," a public-private economic development partnership. This network has come to the assistance of numerous businesses looking to relocate or expand in California. In 1995, TeamCalifornia formed project-specific Red Teams that succeeded in assisting companies such as JVC, Frito-Lay, McDonnell Douglas, National Semiconductor and Genencor to relocate or expand in California. Red Teams helped create more than 12,000 jobs and retain 15,000 jobs this past year alone.

Health Insurance Plan of California. In 1992 the Governor sponsored and signed legislation creating the Health Insurance Plan of California (HIPC), the nation's first small business health insurance purchasing pool. HIPC has become a model for the nation on health care reform. Purchasing cooperatives help small companies provide coverage for employees and dependents at reasonable rates without employer mandates. The program is currently providing coverage to more than 100,000 employees and dependents. HIPC is providing health coverage to previously uninsured Californians and reducing costs to small businesses without spending one tax dollar.

Regulatory and Permit Reform. The Administration has taken several important steps to ease the burden of regulation and streamline the permitting process. CalEPA has established regional Permit Assistance Centers staffed by state, regional and local permitting agencies. CalEPA

developed and the U.S. EPA accepted an innovative, more flexible and more market-oriented air quality attainment plan. The agency has also established a pilot permit consolidation zone program, that will replace the present system of individual permits—which can take months or even years to obtain—with a single, comprehensive compliance assurance plan, received within 45 days of application. California and Federal EPAs have joined in a “harmonization” effort to help remove unnecessary duplication of effort in a number of areas.

Regulation Review. A new Regulation Review Unit has been established within the Trade and Commerce Agency to evaluate the economic and business impacts of proposed regulations, to ensure that those regulations do not create undue economic disruption and job loss.

California Infrastructure and Economic Development Bank. Legislation enacted in 1994 and 1995 created the California Infrastructure and Economic Development Bank, to facilitate the financing of infrastructure projects at all levels of state and local government. The Bank will operate much as an investment or merchant bank, creating pools of bonds, utilizing the state's often-superior access to credit markets, arranging private bond insurance to back some of the issues, and seeking private capital when appropriate. The Bank will also make possible, in many instances, increased utilization of available federal matching funds for capital projects, possibly including funds in recently enacted NAFTA-related legislation.

Although the enabling legislation included limited borrowing authority on a self-liquidating basis, the Bank will require a stable source of working capital to be truly effective. Therefore, the budget includes a \$100 million bond issue dedicated to non-transportation infrastructure, with an emphasis on projects that promote economic development.

While each of these and many other measures are helping to improve California's business climate and competitive position, much more needs to be done. For example, only the first steps have been achieved in reforming the California Environmental Quality Act (CEQA). The Administration gained approval for legislation streamlining the CEQA process for development of closed military bases. However, more far-reaching changes are needed. The law needs to recognize the effects of subsequent legislation, which has created a proliferation of specialized regulatory agencies. These agencies often duplicate the requirements of CEQA, reviewing, considering and regulating air, water, waste, and other environmental impacts of both new development and expansions of existing facilities. This duplication needs to be eliminated, and mitigation measures confined to eliminating the direct impacts of proposed projects. The goal is to ensure that California businesses do not continue to suffer a huge competitive disadvantage when compared to regulations in other states.

Likewise, more progress needs to be made in reforming the state's system of civil liability. One long-overdue measure, which the Governor continues to support, prevents criminals from receiving damage payments for injuries suffered as a consequence of their criminal activity. Further reform of California's civil liability system is needed to secure California's long-run economic future.

Toward a Competitive Tax Structure. The reforms of business taxation represent an important first step in aligning California's state tax burden with other states, especially those in the West. Nonetheless, in many important respects, California remains a high-tax state.

At 9.3 percent, California continues to have the second-highest nominal corporate tax rate in the West (only resource-based Alaska is higher at 9.4 percent) and more importantly, the second highest effective corporate burden among the nation's industrial states (only Michigan's is higher as a percent of state income). And, even after removing the top 10 and 11 percent rates, California's top marginal personal income tax rate of 9.3 percent remains among the highest in the nation.

“The Governor’s Budget includes both broad-based and targeted tax measures designed to enhance the State’s competitive position and provide needed tax relief for households and businesses.”

The Governor's Budget includes both broad-based and targeted tax measures designed to enhance the State's competitive position and provide needed tax relief for households and businesses. The broad measures are:

- ✦ A phased 15-percent reduction in personal income tax rates, which after three years will reduce the current range of 1 percent to 9.3 percent to a range of 0.85 percent to 7.91 percent.
- ✦ A phased 15-percent reduction in the bank and corporation tax rate, from the present 9.3 percent to 7.91 percent by 1999.

Other targeted tax measures, some of them designed to expand provisions of previously passed legislation, include:

- ✦ Increasing the Research and Development Tax Credit from 8 to 12 percent, and from 12 to 24 percent for university contracts, crucial for maintaining growth in the State's high-technology sectors.
- ✦ A reduction over three years in the gross premium tax on annuities, from the present 2.35 percent to 0.5 percent. California is among the few states that tax annuity contributions. This tax creates a significant distortion in the market for retirement savings, placing the California insurance industry at a disadvantage relative to other similar savings vehicles offered by non-insurance financial services providers.
- ✦ Enhancing the manufacturing equipment credit and net operating loss carryover for specified biopharmaceutical activities.
- ✦ Providing enhanced enterprise zone provisions for aerospace workers.
- ✦ Exempting sales tax on aircraft parts and repairs.
- ✦ Increasing the amount of capital outlay which can be expensed by small business to \$17,500 per year.
- ✦ Allowing a capital loss deduction for first-time homebuyers.

How Taxes Affect Economic Competition. Taxes affect economic decisions made by both businesses and households. Business decisions on hiring, investment and location are affected by taxes. Households and individuals are also influenced by tax rates when deciding where to live and whether or how much to work. In other words, even apart from "tax relief," there are sound economic reasons for seeking to reduce California's tax burden.

For businesses, taxes—like wages and the cost of materials—represent a cost of doing business. Moreover, some taxes directly affect returns on investment. Corporate officers have a fiduciary duty to obtain the highest possible return (adjusted for risk) on the shareholders' investment. Among the many factors considered when making investment and employment decisions, state and local taxes are an important element in determining returns on shareholders' investment. It stands to reason that states which levy high business taxes are at a disadvantage when businesses evaluate competing locations.

Like corporate officers, entrepreneurs also seek to maximize profit and reduce costs. While they may not have a responsibility to shareholders, they would be irrational if they did not seek to

"It stands to reason that states which levy high business taxes are at a disadvantage when businesses evaluate competing locations."

earn a competitive rate of return on their investment and on their time, skill and labor. Thus, they too are influenced by state and local tax burdens when making location decisions.

The same is true of individual workers. Ultimately, employees are interested in their take-home pay, after taxes. If taxes are higher in one state than in another, workers in the high-tax state will either be paid more in pre-tax wages—thereby increasing wage costs for business—or they will migrate to a place where taxes are lower and after-tax pay is higher. High-tax states are at a double disadvantage when seeking to retain or expand private jobs: businesses face not only higher tax costs, but also higher wage costs in a high-income tax state.

A progressive tax system, in which higher income earners are taxed relatively more than lower earners, magnifies workers' and businesses' tax-related location decisions. Highly paid workers are usually better educated, more highly skilled and more mobile. High marginal tax rates are therefore more likely to encourage highly skilled workers to migrate—or require their employers to pay higher pre-tax wages. Therefore, relatively high marginal tax rates, such as Californias, tend to have a larger impact on economic competitiveness than do average tax rates. Firms that require highly skilled workers will tend to follow them to lower tax environments. This is particularly important for California, given its high-technology industry base, and the need to maintain that base to ensure continued economic expansion.

The targeted tax cut proposals are also aimed at retaining and expanding California's high-technology industrial base, thus exploiting our comparative advantage. The provisions which are designed to help small business, recognize the entrepreneurial nature of this vital segment of California's economy. ☞

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K-12 Education Initiatives

Last year, at the Governor's request, the Education Commission of the States (ECS) initiated a fresh look at a California school system facing new demands, new challenges, and mounting pressure to improve. In its report, *Rising to the Challenge*, ECS found evidence that California's school system had not only maintained, but—in some respects—actually improved its performance over the past decade.

However, ECS also found evidence that California's school system was not improving fast enough to keep pace with the demands being placed upon it. In the most recent national tests, for example, California's fourth graders tied for last in the nation in reading proficiency.

For these reasons, the Governor is committed to a new state role in public education. The Governor believes the state's role should be to provide:

- ✦ Clear performance standards in support of academic excellence.
- ✦ Flexibility in the methods used to achieve the standards.
- ✦ Incentives for achieving the standards as well as consequences for failing to do so.
- ✦ Accountability for outcomes for all participants.

The state must also provide appropriate funding for the public schools. In this regard, the Governor has consistently given public education first priority in the competition for limited state resources. From 1990-91 through 1996-97, total funding for K-12 schools will have increased by \$6.9 billion. Under the Governor's budget proposal for 1996-97, more than 72 percent of all new General Fund revenues will be dedicated to K-12 education.

As important as funding is, however, the Governor also believes that more money alone is not the answer to improving public education. Of even greater importance is how these funds are used. If today's students are to compete in the information-based, global economy of the 21st century, California's public schools must ensure that the minimum prerequisites to learning are met: a safe, orderly learning environment and effective teaching of "the basics."

The Governor believes that just as partisan lines were crossed to enact real workers' compensation reform and tougher criminal laws, significant reforms must be enacted to improve our

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schools. In support of this objective, the Administration proposes the following K-12 education initiatives:

"The Administration is strongly committed to ensuring that all children receive a solid foundation in the basic skills of reading and mathematics ... computer literacy must be included as a new "basic" that is vital to a student's success in and out of the classroom."

Strengthening School Safety, Order, and Discipline. Under California's Constitution, children have a right to an education; for students to be able to benefit from that education, a safe and secure learning environment is essential. The Governor's Budget includes \$45.8 million to provide alternative education programs (community day schools) for expelled, probation-referred, and other disruptive pupils, thereby making regular school campuses safer for all other students. The Governor's Budget also proposes a total of \$20 million to fund costs associated with the recent expansion of mandatory expulsion laws for students who possess firearms or sell drugs on campus. Students who have been expelled are provided an education through alternative education programs, such as county community schools, which cost an additional \$2,400 per year on average.

Ensuring that Students Master the Basics. The Administration is strongly committed to ensuring that all children receive a solid foundation in the basic skills of reading and mathematics as a necessary prerequisite to mastery of higher learning skills. Toward this end, the Governor's Budget includes \$100 million to support a variety of initiatives to improve the teaching of reading and mathematics in the elementary grades, which are the most critical subject areas for that age group. A significant portion of the funding will be allocated on a per pupil basis. Also proposed is funding for staff development, to provide intensive local training on expected revisions to both the reading and math curriculum. Funding for library media resources and purchase of new textbooks also is an important component of this initiative.

Increasing Access to Educational Technology. The Administration also believes that computer literacy must be included as a new "basic" that is vital to a student's success in and out of the classroom. Last year, the Governor announced an ambitious goal of moving California to first in the nation in computers per student and provided \$10 million to support the refurbishing and upgrading of donated computers for placement in the public schools. The 1996-97 Governor's Budget provides an additional \$100 million in one-time funds for schools to acquire new and refurbished computers and other educational technology.

Reducing the Administrative Burden. The Administration is again sponsoring legislation to repeal the 11,000-page Education Code and replace it with a streamlined, one-volume version based on the "new state role" outlined above.

Setting High Standards and Accountability for Results. Chapter 975, Statutes of 1995, (AB 265) provides for the establishment of statewide academic content and performance standards. This measure also creates a revised state testing program that will provide, for the first time, valid, reliable, and comparable information on students' academic achievement in grades 2 through 10. The Administration also continues to propose creation of a new merit diploma that will be awarded to students who demonstrate mastery of a broad range of academic subjects.

Recruiting and Retaining Outstanding Teachers. The Administration believes that teachers, as professionals, should also be held accountable for results—particularly, for improving the academic achievement of their students. The Administration continues to propose to repeal and modify laws that give non-performing teachers extraordinary employment protection. The Administration will again propose legislation to repeal the requirement for a uniform, single salary schedule, thereby allowing districts to compensate teachers based on factors other than years of experience and accumulation of education credits. The Administration continues to support alternative credentialing programs whereby talented professionals, formerly employed in the military services or other fields, may utilize an expedited process for becoming teachers.

Expanding the Prevention Agenda. The Governor's Budget proposes an increase of \$10 million for the Healthy Start program to expand the coordination and integration of health and social services for children at school sites. This higher level of funding, a total of \$49 million, will provide approximately 300 additional schools with three years of funding and will serve more than 100,000 additional students annually.

The budget also provides a \$20 million increase in funding for preschool programs to complete the \$40 million expansion begun in 1995-96. The additional funds will ensure that more preschoolers receive services to become ready for kindergarten.

These programs are a vital part of the Governor's prevention agenda aimed at addressing students' health, social, and nutrition problems before they become bigger problems and impair a student's ability to learn.

The budget also proposes \$5 million for a pilot project to establish single-gender schools. The Governor's Budget proposes to sponsor 20 single gender academies for students who have a high probability of doing poorly or dropping out of school. These pilot schools are expected to be authorized within the current legal framework for magnet schools. Under that general structure, programs can emphasize parental involvement, mentors, and fostering community and business partnerships.

These academies will be offered throughout the state in those geographic and socioeconomic communities which will most likely benefit from the goal of giving at-risk children a better opportunity at a productive life. Commitments of support from the private sector and the surrounding community will enhance the probabilities of successful academies.

Goals 2000/California School Reform. The Goals 2000: Educate America Act was signed in March of 1994. The act provides funding to states to engage in "systemic" school reform. In 1994-95, California applied for and received approximately \$10.3 million, which was used for state planning activities and development of local improvement plans. For 1995-96, California has been authorized to receive approximately \$42 million to carry out second-year Goals 2000 activities. Since the federal Goals 2000 legislation contains potential restrictions on how California should spend the funds, as well as a requirement that California's improvement plan is subject to approval and modification by the U.S. Secretary of Education, the funds have not been accepted by the Administration.

Included in the State's General Fund Reserve for Economic Uncertainties is \$42 million, which will allow California to achieve "systemic" education reform pursuant to state-determined policy. This money will not be necessary if California can be assured that if it accepts federal Goals 2000 funds, it will receive a full and unconditional waiver of any right of federal regulation, notwithstanding any statutory language, express or implied, to the contrary.

School Construction. The Department of Finance 1995 Capital Outlay and Infrastructure Report projects that the total cost for K-12 new construction, modernization, and deferred maintenance over the next ten-years will be approximately \$17 billion. Given competing priorities for limited state bonding capacity, the state alone cannot meet this demand. Therefore, a new program for school construction is needed, one that maximizes the number of projects funded with a given level of state participation. This program would recognize that local school districts have resources in addition to those of the state upon which to draw for school construction. These resources include local General Obligation bonds, Mello-Roos funding, developer fees, mitigation charges, and revenues from asset management programs. While the Governor continues to support amending the State Constitution to reduce the vote requirement for local bonds from two-thirds to a simple majority, this may not be the immediate solution to the urgent problem facing school districts. Furthermore, the Legislature has passed

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measures which would improve certain aspects of the school construction program, but these bills have not gone far enough in changing the state's role from the provider of first resort, nor in requiring sufficient local contributions.

Under the existing State School Building Lease Purchase Program, a school district may receive funding for new school construction, for reconstruction, or for modernization of existing facilities. The existing program, however, is difficult to understand, complex to administer, and relies on a significant financial contribution of General Obligation bond funds from the state. Because the voters have not passed a school bond since 1992, there is considerable unmet demand for school construction funds under the existing program.

The state has already approved school construction and modernization projects totaling over \$1 billion (pending availability of funding) but has well over \$2 billion in pending requests. Therefore, the Governor supports the enactment of a bond measure in 1996 of \$2.025 billion to fund projects eligible under the existing statutory program. The Governor's support for any subsequent bond measure will be predicated upon the enactment of program reforms which he believes are necessary to provide the classrooms for the students of California.

Specifically, the new program would involve a greater commitment of local resources and include additional features to streamline the program. In addition, the contributions made by the state through General Obligation bonds will enable schools to house more students than the current program. Following are specific components of the Governor's reform proposal:

- ✦ School districts must reach a specific level of local bonded indebtedness prior to eligibility for state funds.
- ✦ The level of state participation in projects for new construction would be based on the level of overcrowding due to growth after a specific date.
- ✦ The state would provide funding based on a calculated amount per project, taking into account cost-saving alternatives and a reasonable level of local contribution.
- ✦ Streamlining measures must be enacted to ensure that the application and oversight process at the state level will expedite construction and be less onerous than the current program.
- ✦ Any projects funded from state bonds subsequent to the \$2.025 billion bond supported by the Governor must meet all eligibility criteria established for the new program.
- ✦ For those districts not eligible to participate in the new state program, but which have critical unmet housing needs, the existing state portable classroom program would remain as an available option.
- ✦ In addition, the Administration remains committed to its proposal, introduced in SB 1185 during the first half of the current legislative session, which would give districts an alternative funding source through a loan program financed through the sale of revenue bonds.

In addition to inclusion of a K-12 school facilities bond, the budget reflects an additional \$25 million to be generated by prioritizing workload to clear the backlog of close-out audits on completed projects. For 1994-95, an adjustment has been included to reflect an additional \$53.7 million which is available from prior bond measures.

Maintaining Access to Higher Education

California faces increasing competition in the global marketplace, and a strong system of higher education is one of the state's most powerful advantages in this new environment. The state's colleges and universities are among the finest in the world, and they endow our citizens with enormous benefits economically and socially, as well as individually. The research conducted in the universities expands the frontiers of knowledge, and the wider application of this knowledge helps fuel the engine of our economy. Having a skilled workforce is a significant incentive for companies to move to or stay in California. Our society benefits as students exchange ideas and share life experiences, broadening their horizons and learning more about each other and the world at large.

For these reasons, the Administration is committed to building and maintaining access to the state's higher education system. The promise of affordable, accessible and high-quality college and university education, which was made to past generations of Californians, is being kept and renewed.

THE COMPACT

Last year, after years of budgetary losses resulting from California's fiscal difficulties in the early 1990s, the state's fiscal resources began to improve. The Administration determined that one of its highest priorities for utilizing the new revenues was to increase the state's investment in higher education. At that time, the budget proposed a four-year compact with the University of California (UC) and the California State University (CSU) to provide a framework of budgetary stability. The four-year plan provided for annual increases in General Fund support and capital outlay funding, but recognized that productivity improvements and student fee increases may also be necessary to produce the resources required to achieve the compact's goals of increased enrollments, improved student outcomes, and competitive faculty salaries. The compact commits the segments to setting aside at least one-third of new fee revenues for financial aid, to offset the effect of fee increases on needy students. However, for 1996-97, the Governor's Budget includes sufficient General Fund to avoid a fee increase at both UC and CSU. This will mean that students will have level fees for the first two years of the compact.

FIRST-YEAR RESULTS

Enrollments. Both UC and CSU have achieved significant gains in enrollment, exceeding the compact's first year goal. UC's enrollment has increased to 153,000 full-time equivalent (FTE) students in the current year, which is 3,000 FTE more than budgeted. For 1996-97, UC plans to

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increase budgeted enrollments by 1,500 FTE, and will continue to admit all eligible students. CSU's current-year enrollment is estimated at 253,100 FTE, which is 700 FTE more than budgeted, and represents an increase of 6,000 FTE over last year. For 1996-97, CSU is proposing to increase budgeted enrollments by 2,000.

Increased Portability and Transferability of Courses. UC and CSU continue to work successfully with each other and the community colleges to improve the transferability of courses among the three segments. Both UC and CSU will prepare a report by September 15, 1996 on their accomplishments in this area, which are numerous and varied. Examples of these activities are:

✦ UC and CSU have established a common set of general education courses required for students seeking to transfer from the community colleges.

✦ All UC and CSU campuses have "articulation agreements" with community colleges which identify courses needed for specific majors.

✦ System-wide intersegmental activities include: the California Articulation Number system, which assigns common course numbers across all three systems for transferable courses; Counselor Institutes, through which UC and CSU provide comprehensive training on the transfer process to community college counselors; and Project ASSIST, a statewide computerized database that provides information on the articulation agreements and analyzes individual transcripts to let students know what additional courses they need to take.

✦ At the campus level, individual UC and CSU campuses engage in local and regional activities with each other and the community colleges.

Increases in Productivity. In the first year of the compact, both UC and CSU have met the compact's goal of achieving at least \$10 million annually in new savings through productivity improvements. Both systems have attained significant savings through technology, and indicate that substantial new technology investments will continue to increase productivity. UC and CSU have also have achieved savings by re-engineering and streamlining administrative processes, by decentralizing authority to the campuses and within campuses, and by obtaining increased managerial flexibility. Other savings strategies include renegotiating utility rates, obtaining volume-purchase discounts, and pursuing computer software site licenses.

Graduation Times and Rates. Student outcomes are improving in both UC and CSU. At UC, where most undergraduates attend full-time, and only one-fifth work 20 hours or more per week, students graduate in an average 4.3 years of enrolled time (i.e., excluding time when a student did not enroll in order to work or travel). While this average graduation time has remained stable over many years, the percentage of graduating students is increasing. The percentage of students graduating within six years has increased from 65 percent to 73 percent over the last six years.

At CSU, where many students attend part-time and one-third work 30 hours or more per week, new freshmen graduate in an average 4.9 years of enrolled time. As with UC, CSU's average time to graduate has been stable over many years, and the percentage graduating is steadily improving. Based on five-year persistence rates, which are highly predictive of eventual graduation rates, CSU indicates that its graduation rates for new freshmen have increased from 44 percent to 52 percent over the last 12 years.

Faculty Salaries. Since a high-caliber faculty is critical to high-quality instruction, an important goal for the four-year compact period is to raise faculty salaries, which have been lagging behind

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comparable institutions for several years, to levels that will enable UC and CSU to compete successfully for the best faculty in the nation. Both UC and CSU have made progress toward that goal. Salary increases provided in 1995-96 have enabled UC to reduce the salary lag from a projected 10.4 percent below comparable institutions to 7.4 percent. Similarly, CSU reduced its 1995-96 salary lag from a projected 12.7 percent to 9.5 percent. It is planned that faculty salaries will become increasingly competitive over the remainder of the compact period. An additional goal of the compact is that the faculty compensation system emphasize performance-based increases. While UC's system has always been strongly performance based, CSU's system was much less so. However, for 1995-96, CSU and its faculty agreed to a major re-orientation of the compensation system towards performance-based increases.

Capital Outlay. In the first year of the compact, UC and CSU received lease-revenue bond authority for capital outlay projects totaling \$297.8 million. In combination with remaining balances from General Obligation bonds, UC and CSU were able to address numerous high-priority seismic, fire and life safety, infrastructure, and educational technology projects. For 1996-97, the Administration supports a General Obligation bond measure containing \$975 million for higher education capital outlay projects.

THE CONTINUING PROMISE

The four-year compact produces much-needed stability for California's higher education system that will enable it to meet the challenge of providing a growing population with high-quality education. The commitments in the compact will help UC and CSU as they continue to provide rich dividends to the people of California—not only in the academic marketplace, but in the global marketplace.

COMMUNITY COLLEGES

The community colleges play an essential role in workforce preparation and provide the first two years of education toward a degree. They are an integral part of California's higher education system. Consistent with UC and CSU, there will be no fee increase in 1996-97; California's community college fees remain the lowest in the nation.

The budget proposes a total increase of \$129 million, plus \$70 million of one-time funding for instructional equipment and deferred maintenance. These increases provide the resources to address the Administration's policy objectives for the community colleges. These include: use of technology to improve instructional quality, implementing innovative teaching methods, and expanding access to ensure a well-trained, competent work force capable of competing in the job market of the next century. ☞

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State and Local Alliance for Public Safety

Both the State and its local governments share common interests and responsibilities in providing services to the citizens of California. As California's economy rebounds, it is imperative that each level of government invest its resources in programs that are a priority to the people of California. Each level of government must be deliberative about the choices it makes in terms of these investments in order to avoid the kind of autopilot spending California has had in the past. Each level of government must make financial and programmatic decisions which will expand opportunities for Californians.

The first responsibility of government is to ensure essential public safety. This Administration believes that public safety must continue to be at the forefront of issues addressed by both state and local government. Because of the costs of crime, both in terms of dollars as well as the human costs, the 1996-97 Governor's Budget proposes a series of initiatives to continue the enhancement of public safety programs.

ATTACKING THE JUVENILE CRIME CRISIS

Like the rest of the nation, California faces an undeniable crisis of juvenile violence:

- ✦ Juvenile arrests for violent offenses have increased at more than three times the rate of adult arrests since 1987.
- ✦ Juvenile arrests statewide are projected to soar 62 percent by 2004.
- ✦ Nine out of ten young wards in the California Youth Authority (CYA) today will eventually be arrested as adults.
- ✦ There are more than 1,000 street gangs in Los Angeles alone, and their membership has tripled to 150,000 in less than a generation.
- ✦ Gang crimes in Los Angeles County are up 20 percent since 1994.

No one in California can ignore this crisis; all levels of government must join together in addressing the state's juvenile crime problem. The Governor's Budget proposes a comprehensive program to reduce juvenile crime and dismantle violent street gangs.

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ZERO TOLERANCE FOR JUVENILE GUN VIOLENCE

In 1994, the Governor directed the California Council on Criminal Justice to review the problem of juvenile gun violence and report its findings and recommendations. The Council held a number of public hearings and reported to the Governor in October 1995.

The Administration will sponsor legislation to implement the following recommendations of the task force:

"The Governor has successfully championed increased penalties for violent gang crimes and activities."

- ✦ Require mandatory detainment of any juvenile who unlawfully uses a gun, until he or she appears before a judge.
- ✦ Increase the penalty to a felony for federally licensed firearms dealers who sell a firearm to a minor.
- ✦ Eliminate probation as an option for juveniles convicted of using a firearm during the commission of a violent crime.
- ✦ Give district attorneys the discretion to prosecute any 16- to 17-year old charged with the use of a gun to commit a crime in adult courts.
- ✦ Prohibit court-appointed referees from presiding over hearings to determine if juvenile offenders are eligible for trial in adult court for serious or violent offenses.
- ✦ Disarm convicted juvenile offenders by requiring warrantless searches as a condition of parole or probation.

ISOLATE AND DISMANTLE VIOLENT STREET GANGS

The Governor has successfully championed increased penalties for violent gang crimes and activities. The Governor's Budget proposes the following additional activities:

- ✦ Establishment of a \$2.5 million Gang Civil Injunction Fund, to provide grants to local prosecutors and underwrite the costs of obtaining and enforcing additional injunctions against threatening or intimidating gang activities.
- ✦ Reauthorization and improvement of the Street Terrorism and Prevention Act, making it easier for prosecutors to gain convictions, seize assets, liberalize the legal definitions of a street gang and gang-related offenses, and enhance penalties for felonies committed by criminal street gangs.

The Governor's Budget also includes funding to expand a number of effective anti-gang programs currently operated by the California Youth Authority. These include programs to identify and counsel wards who are members of violent street gangs; track cases of violent street gang members deported by the Immigration and Naturalization Service; enhance supervision of paroled gang members and; upon request by any CYA ward, provide free removal of visible tattoos. The budget also includes \$500 thousand to supplement curfew enforcement strategies in the 11 counties currently participating in the state's Gang Violence Suppression Program.

To deter juvenile crime, the Governor proposes to:

- ✦ Limit each juvenile offender to one grant of probation for a serious or violent offense.

- ✦ Provide a tangible, increased consequence for each contact a juvenile has with the California justice system.
- ✦ Eliminate confidentiality protections currently applicable to juvenile offender proceedings.
- ✦ Prohibit courts from sealing or destroying the records of any juvenile convicted of a serious or violent offense.
- ✦ Require law enforcement officials to release the name of a minor 14 years of age or older who is arrested for a serious or violent offense.

These changes will require a comprehensive overhaul of the state's juvenile justice information management systems. The Governor will direct the state's Chief Information Officer, in coordination with other appropriate parties, to review current systems and develop an appropriate strategy to meet the information needs posed by these legal reforms.

These proposals will result in a fundamental restructuring of California's juvenile justice system in ways that affect county probation and other local law enforcement departments and the courts. The Governor will direct the California Council on Criminal Justice to hold hearings on the impact of these changes and report their findings no later than October 1996.

PREVENTING JUVENILE CRIME

The Governor recognizes the value of structured programs to assist juvenile offenders in rejecting a criminal career and rejoining society as a productive member. If, as is proposed, judges cannot grant probation to juveniles convicted of a second offense, then current sentencing options - the Department of Youth Authority or a county juvenile detention facility—are inadequate. Additional options, including residential and non-residential structured programs, must be made available to the courts and probation officers.

The Administration will sponsor legislation to reduce barriers to the formation of structured programs in California that emphasize responsibility, literacy, work and athletics. It is anticipated that these reforms will expand opportunities as well for courts to assist juveniles convicted of less serious offenses who nonetheless are clearly at risk of continued and escalating criminal behavior.

COUNTY JUVENILE CAMPS/YOUTH AUTHORITY FEES

In the fight against juvenile crime, it is critical that communities have options available at the local level for dealing with youthful offenders.

One of the key components of the 1995-96 budget agreement between the Governor and the legislative leadership, though not enacted, was a two-part proposal that provided \$33 million for county juvenile camp beds and also increased fees for county commitments to the California Youth Authority. The fees reflected an increase of the current \$25-per-month charge to \$150 per month. This increase would be the first since the early 1960's and is slightly less than the rate of inflation. The \$150 charge would not, however, be applied to less serious offenders in categories 5, 6 and 7. Instead, counties would be required to pay 50 percent, 75 percent and 100 percent, respectively of the Youth Authority's actual per capita costs to house these wards. This proposal was aimed at creating incentives for counties to maintain and develop less costly, appropriate alternatives for juvenile offenders than commitments to the Youth Authority.

Recognizing the importance of this funding for those counties that maintain juvenile camps, the Governor's Budget assumes passage of urgency legislation by February 1 to appropriate

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\$33 million to those eligible counties that operate juvenile camps and ranches and institute the agreed upon fee policy. It is assumed that the increased fees will generate approximately \$7.5 million in 1995-96 and, absent any program changes at the local level, would generate an estimated \$37.8 million in 1996-97. It is anticipated that alternative local options will continue to be developed. Because of concerns voiced by counties that the increased fees would impose a significant burden in the absence of the funding for juvenile camps, the legislation will contain a "poison pill" to eliminate the fees if stable funding for camps and ranches is not maintained.

COUNTY PROBATION FUNDING

In September of 1995, the federal government notified the State that counties would no longer be able to claim emergency assistance funding for juveniles on probation. Under the Emergency Assistance Program, states had been able to obtain 50 percent reimbursement from the federal government for the costs of short-term assistance and services for the purposes of alleviating emergency situations. The probation component of this funding has included juvenile halls, camps, ranches, after-care services and foster care. Counties have received over \$130 million annually in federal funds for these services.

The Governor's Budget is predicated on the passage of a federal welfare reform bill and receipt of block grant funding. Emergency assistance funding for probation costs are a component of the base amount California will receive under the block grant. For 1995-96 and 1996-97, the Governor's Budget assumes that, from the federal block grant, the state will continue to allocate to counties the full amount of federal funds they would have received based on past claiming experience.

HOUSING FOR JUVENILE OFFENDERS

To further assist local governments in meeting the housing requirements for juvenile offenders, the Governor's Budget proposes a \$150 million bond measure to expand, remodel and build county juvenile correctional facilities. Upon approval of the bond measure on the November 1996 ballot, these funds would be available to local governments to cover up to 75 percent of the costs incurred in making juvenile beds available.

CITIZENS' OPTION FOR PUBLIC SAFETY

While proposals targeted at specific populations are a critical component in the fight against crime, it is equally critical that local communities be given resources necessary to use in the most appropriate manner to that community's need. The Governor strongly supported Proposition 172 which has infused an additional \$1.5 billion into city and county public safety activities each year.

Citizens want more public safety resources for their community. In order to give the people of California a way to make this choice, the Administration is proposing a new initiative—Citizens' Option for Public Safety. Under this initiative, taxpayers would be able to designate that one percent of their personal income tax liability be directed for public safety purposes in their communities.

Designated funds would be placed into a trust fund that will be allocated in a manner determined by local communities. The Governor's Budget assumes that \$150 million will be allocated for additional local public safety purposes, legislation will be enacted to ensure that these resources do not replace any existing funding at the local level.

TRIAL COURT FUNDING

A principal partner in the criminal justice system is the California trial court system. The courts are affected by many decisions of the state and local governments, whether it be more police officers on the street, legislation to implement tougher sentencing laws, or proposals to change the way juvenile criminals are treated.

The demands on the court system have increased dramatically over the past decade. Since 1985, felony filings have increased 66 percent in Superior Court and 46 percent in Municipal Court. The passage of the Three Strikes legislation has added to this workload, though the effect is not uniform among the courts. However, the increase in workload and backlogs in some courts has had an effect on other parts of the criminal justice system. The number of civil cases being heard has dropped as resources are redirected to felony cases; three-strike cases take more resources in terms of increased numbers of potential jurors and increased length of trial; and the preadjudication population is up in local jails.

Funding for the trial court system is currently split between the state (37 percent) and counties (63 percent). At the same time that workload has increased in the courts, county and state resources have been constrained and some counties have chosen to reduce funding to the courts. Because of the divided funding responsibility, counties are frequently unsure of their financial obligation until well after most local budget decisions have been made, individual trial courts are unable to plan for the year and the Judicial Council has little flexibility in allocating resources to those courts which may need them most. As a consequence, the disparity in access to timely justice from county to county is increasing.

The Judicial Council has taken several steps to improve court operations, including court coordination, improved statewide automation plans and adoption of court standards. However, given the imbalance in resource distribution resulting from this split funding process, there is little authority—and consequently, little accountability—for the judicial branch of government to implement these policies.

Since the enactment of the Trial Court Funding Realignment and Efficiency Act in 1991, the Administration has supported the concept of greater state financial assumption of the majority of trial court costs. The state has lacked the resources necessary to assume these costs without some other component of realigning program responsibilities. However, the need for the judiciary to be able to plan and use resources on a statewide basis has become essential to ensure equal access to and the fair application of justice for all citizens.

The Administration proposes to consolidate the costs of operation of the trial courts at the state level with the exception of the costs for facilities, local judicial benefits, and revenue collection. This proposal would cap the county contribution to trial court costs, including the fine and penalty revenue, at the 1994-95 level. The county contribution would become part of the Trial Court Trust Fund, which would support all trial court operations.

These changes will provide clear accountability for trial court funding and increase flexibility and accountability for management of the courts, ensuring the most efficient and effective court operations possible. It provides a clear funding process for the courts and places the responsibility for any future growth in trial court funding with the state.

In order to provide some additional resources to the trial courts, it is proposed that certain filing fees be increased. These increases will generate approximately \$91 million in increased revenue. In addition, increases in fine and penalty revenue above the 1994-95 level are proposed to be split equally between cities, counties and the state in order to provide an incentive for collec-

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tions. Counties would retain the revenue collection function and the appropriate level of resources to fund that function.

FISCAL IMPACT

The total budget for trial courts is proposed at \$1.6 billion, exclusive of costs for assigned judges and judges retirement. The sources of this funding are as follows:

"The Administration continues to believe that it is critical to give locally elected officials the necessary flexibility to make funding decisions based on local needs and priorities, including critical public safety needs."

1996-97 Proposed Funding (Dollars in Thousands)

| | |
|--|-----------|
| 1994-95 County General Fund contribution | \$890,000 |
| 1994-95 fine and penalty revenue | 292,000 |
| Filing fees | 247,000 |
| Current state General Fund | 140,000 |
| Increase in fines and penalties | 6,000 |

| | |
|--------------|--------------------|
| Total | \$1,575,000 |
|--------------|--------------------|

Equally important to the funding structure and increased level of resources for the courts is the need for continuing operational efficiencies and mandate relief in order to allow courts to redirect resources to address critical needs. Examples of proposals include: the suspension of arbitrator fees; mandatory arbitration for all personal injury cases under \$100,000; authority to contract for administrative services and use of electronic court reporting. In addition, the Chief Justice has appointed a Blue Ribbon Commission to review and make recommendations on the current jury system. This Commission will report its findings in May 1996.

The Administration will work closely with the Legislature, counties, and the Judicial Council to enact legislation necessary to affect these changes.

The Governor's Budget proposes two other changes to trial court funding. First, there have been no new judgeships authorized since 1987. To help alleviate the increasing workload, twenty new judgeships are proposed at a first-year cost of \$2 million. Second, given the disparity in workload among courts of three strike cases and the critical nature of the backlog of cases, the Administration has agreed to a Three Strikes Relief Team composed of 30 retired judges who would be trained and assigned solely to handle second- and third-strike felony trials. The cost of this proposal is \$3.4 million.

MANDATE RELIEF

The Administration continues to believe that it is critical to give locally elected officials the necessary flexibility to make funding decisions based on local needs and priorities, including critical public safety needs. Therefore, mandate relief proposals that were agreed to, but not enacted, as part of the 1995-96 budget agreement are again proposed as part of the 1996-97 Governor's Budget.

GENERAL ASSISTANCE

Counties currently spend over \$400 million for cash grants and administration of General Assistance, and have had little success in court in limiting their costs for this program.

Options that will be included in mandate relief legislation are: a continuation of the shared housing reduction allowance that expired on December 31, 1994; changing the definition of employable for work requirements; time-limited aid for those persons designated as employable; expanded use of vouchers and the ability to screen applicants for drug abuse.

In addition, the proposed restrictions on legal immigrants receiving certain federal benefits could result in a direct increase in counties' General Assistance caseload. Language will be included in this proposed legislation that would preclude counties from providing General Assistance relief to this group.

COMMISSION ON STATE MANDATES WAIVER PROCESS

Under current statute, counties may apply to the Commission on State Mandates to reduce the county's level of funding for General Assistance grants. Proposed legislation would alter the timeframes the Commission has in order to make its findings and extend the time period the grant reduction would be in effect from 12 months to 36 months.

MAINTENANCE OF EFFORT

The following changes in maintenance of effort provisions will be proposed:

- ✦ Realignment mental health statutes require counties to deposit a specified level of local matching funds in order to receive sales tax realignment funds. This proposal will reduce this obligation by \$25 million.
- ✦ Under the 1991 realignment statutes, counties are required to obligate a specified amount of general purpose revenue in order to receive Proposition 99 Cigarette and Tobacco Tax monies. This proposal would eliminate this requirement, thereby saving counties \$143 million.
- ✦ The maintenance of effort required to receive Proposition 111 fuel tax revenue is proposed for elimination, as well as the requirement to maintain a specified amount of local funding in order to receive certain state funding for libraries. ☞

The Prevention Agenda

A PARTNERSHIP FOR RESPONSIBLE PARENTING AND A HEALTHIER CALIFORNIA

The Administration has long recognized the importance of healthy families as a cornerstone to California's future, and that government's most effective role is prevention of those factors which threaten the health of women, children and families. The Governor's Budget expands this commitment to a wide variety of preventive programs beginning with a public-private "Partnership for Responsible Parenting and a Healthier California." This commitment includes expanded programs to prevent unwed and teenage pregnancy, domestic violence, and to provide mentoring and school-linked services.

PREVENTING UNWED AND TEENAGE PREGNANCY

The problem of unwed and teenage pregnancy is one with far-reaching consequences for all Californians. One in three California children is born out-of-wedlock, up from just nine percent only a generation ago. Among teenagers, the out-of-wedlock rate is as high as two out of every three children born. From taxpayers and the private sector to our local communities and individual families, the consequences of unwed and teenage pregnancy are significant for all Californians.

An estimated \$5 billion to \$7 billion is spent annually at the federal and state levels for welfare, Medi-Cal, and Food Stamps for California families that were begun by a teen parent. As many as 70,000 children are born to teenagers each year, and nearly a quarter of these are born to teenage mothers who have previously had children.

Other related problems include illicit drug use and alcohol use which have risen among youth. Now, close to one in five students drop out before graduating from high school. Between 1987 and 1992, juvenile arrests for violent crime increased by 75 percent.

Over the past five years, the Administration has enacted numerous social, health and educational reforms to address teenage pregnancy. While these efforts have yielded some results—California's teenage pregnancy rate has declined six percent over the last three years—no society can afford this limited level of success. California still ranks second in the nation in teenage pregnancies. The implications for future state budgets, increased public safety, welfare, and Medi-Cal costs, as well as the potential loss of life due to juvenile violent crime, are significant.

What is needed is fundamental change in societal attitudes toward unwed and teenage pregnancy. Only then will society see substantial behavioral change. Therefore, this budget proposes a new public-private partnership—the "Partnership for Responsible Parenting and a Healthier

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California”—to reduce unwed and teenage pregnancy. Central to this new partnership is the belief that while government can provide leadership and an investment of resources, it cannot solve this problem alone. Success will depend upon the willingness of local communities and the private sector to participate in fashioning comprehensive, effective solutions to reduce unwed and teenage pregnancy.

MEDIA CAMPAIGN

To ensure the call to action is heard, the budget includes an additional \$10 million, to be combined with existing prevention program funding, to support an expanded \$15.75 million multi-media campaign to raise public awareness about the problem of unwed and teenage pregnancy. This media campaign will be built upon existing efforts to change community norms by educating the public and promoting responsible behavior among teenagers, including abstinence themes and messages targeted at males.

COMMUNITY CHALLENGE GRANTS

To promote community-based partnerships, a non-governmental foundation will be used to administer a new community challenge grant program that will support effective strategies to prevent unwed and teenage pregnancy. To support this effort, the Governor's Budget includes \$34 million General Fund for grants to local communities and private organizations to implement innovative and relevant local solutions to this problem. The proposal assumes that public sector funds will be matched with private sector resources provided by local businesses, church groups, or others within the community to reach as many California communities as possible. A primary focus of this program will be non-governmental solutions at the local level and will include measurements of progress in reducing unwed and teenage pregnancy and related problems such as juvenile crime and adolescent alcohol and drug abuse.

In addition, to ensure that effective school-based educational programs are available, the budget also includes \$1 million for the development of two abstinence-oriented curricula to be developed and implemented as demonstration projects in several high-risk communities.

PROSECUTION OF STATUTORY RAPE

In 1995-96, \$2.4 million was provided to establish a grant program to give district attorneys sufficient resources for the prosecution of statutory rape cases. This program, which provided funding for 16 counties during the current fiscal year, will be expanded for 1996-97 to provide grants in the amount of \$150,000 for the remaining counties in the State. With this \$6 million augmentation, a total of \$8.4 million will be available for the "vertical prosecution" program, which is expected to strengthen enforcement of statutory rape laws statewide.

MENTORING OF AT-RISK YOUTH

Children who grow up in single-parent families are more likely to become teen parents, engage in criminal activity, and require long-term public assistance. The Partnership for Responsible Parenting and a Healthier California recognizes the importance of linking at-risk youth with responsible adult role models, or mentors. This is especially important in assisting single parents who must provide the guidance and support their children need to become healthy, productive adults.

The Governor's Budget includes \$15 million which expands the California Mentor Initiative, with the goal of linking 250,000 mentors with 1 million at-risk youth by the year 2000. The

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program will provide grants to existing community-based mentor programs and local school districts to recruit, train, and place mentors with children. The proposed expenditures include:

- ✦ \$7 million within the Department of Community Services and Development to expand the current California Mentor Initiative.
- ✦ \$3 million to expand the successful "Young Men as Fathers" program, which mentors young fathers who have been committed to the California Youth Authority. These funds will be used to expand this program through grants to local probation departments and to augment the California Youth Authority's "Volunteers in Parole Program," which matches parolees with attorney mentors.
- ✦ \$5 million within the Office of Child Development and Education for the California Academic Volunteer and Mentor Corps.

Major corporations throughout the state will be recruited to encourage private sector involvement with the ultimate goal of transferring the program to the private sector.

PREVENTIVE HEALTH INITIATIVES

PREVENTING UNINTENDED PREGNANCY

To ensure that contraception is an option available to all California women, the budget proposes an augmentation of \$20 million. With this augmentation, these services will be available to more low-income women of reproductive age who are currently unserved. This proposal will help ensure that parents plan for the birth of a child at a time when they are socially, emotionally and financially able to care for the child.

To create a more efficient, seamless family planning delivery system, these additional funds will be combined with existing family planning resources and distributed through a state-only Medi-Cal family planning program.

HEALTHY START

Bolstering the state's commitment to this partnership also requires an increased commitment to prevention programs in the schools. The Governor's Budget proposes a \$10 million increase for a total funding level of \$49 million for the Healthy Start program. As a part of the multi-phase Comprehensive Integrated School-Linked Services effort, the Healthy Start funding augmentation will expand the coordination and integration of health and social services for children at school sites. This higher level of funding will provide approximately 300 additional schools with three years of funding. When fully operational in the second year, the new grantees will have over 100,000 additional student contacts annually.


DOMESTIC VIOLENCE

An important commitment to this partnership is the State's responsibility to encourage healthy families by ensuring safe families. Domestic violence is clearly one of America's most serious health threats to women and families. According to the FBI, a woman is beaten in this country every 15 seconds, making domestic violence the leading cause of injuries to females between the ages of 15 and 44. In California alone, nearly 239,000 domestic violence-related calls were reported in 1993 to the Department of Justice by local law enforcement agencies, a 31-percent increase since 1988. Domestic violence is an even more pervasive problem than indicated by these statistics because many cases go unreported.

"...California recognizes the importance of linking at-risk youth with responsible adult role models, or mentors."

"An important commitment to this partnership is the State's responsibility to encourage healthy families by ensuring safe families."

Under this Administration, California has committed significant new resources to assist victims of domestic violence. The Battered Women Protection Act of 1994 more than doubled state funding for shelters that serve battered women and their children. The \$11.5 million shelter-based services program established under this legislation is continued in the budget and will provide direct services through grants to shelters statewide in 1996-97.

To establish an equally critical prevention component to this effort, the Governor's Budget includes an additional \$5 million for a comprehensive Domestic Violence Prevention Program that will use prevention strategies to raise the public's awareness of the seriousness of domestic and family violence. The funding will support a \$3 million media campaign and a \$2 million investment in community intervention projects which will emphasize learning skills for resolving family conflicts including resolution and crisis management. 

Federal Block Grants

Governor Wilson has long believed that the state and federal government should be equal partners in fostering opportunity and meeting the basic needs of California citizens. Through the imposition of restrictive mandates on states which impede their ability to change programs and services to benefit those most in need, the relationship between the State of California and the federal government has increasingly become one of conflict over responsibilities, priorities and limited resources.

In the past year, Congress and the states have initiated a dialogue to reexamine and reform the federal-state relationship. The dialogue has focused on the issues of federal block grants in the areas of welfare, health care and workforce preparations. It now appears imminent that the federal/state relationship will change dramatically. Block grants will provide an opportunity for creativity and innovation to restructure programs to better serve people in need, mindful of the taxpayers who pay for them.

The Governor has contributed much to the dialogue—from testifying before Congressional committees, taking an active role before the nation's governors in the debate regarding these issues, meeting with key Congressional leaders, frequently providing key Administration officials to assist Congress in drafting federal legislation and commenting on the impact of proposed federal legislation on California, to maintaining correspondence with the President and Congress on federal legislation involving the federal-state relationship.

MEANINGFUL WELFARE REFORM

Since taking office, the Governor has made welfare reform a key part of his Administration's agenda. Meaningful welfare reform at the federal and state level involves:

- ✦ Ending the open-ended federal entitlement and automatic spending by treating welfare as a temporary safety net rather than a way of life.
- ✦ Allowing states the flexibility to develop innovative welfare programs without use of an archaic waiver system requiring states to first seek federal approval for change.
- ✦ Repealing maintenance of effort and other federal mandates.
- ✦ Holding sponsors of legal immigrants responsible to meet their commitments.
- ✦ Encouraging work over dependency.

"Governor Wilson has long believed that the state and federal government should be equal partners in fostering opportunity and meeting the basic needs of California citizens."

The Governor has undertaken a major effort to reduce dependency on welfare by implementing program changes and welfare policy reforms over the past five years—dramatically increasing financial incentives for individuals on Aid to Families With Dependent Children (AFDC) to work their way off public assistance; promoting job skills and encouraging education; increasing child care services; reducing the cost of welfare by lowering grants, cracking down on fraud, improving the collection of child support; and ending automatic cost-of-living adjustments for welfare recipients.

Other Administration proposals that have been enacted include: regional grants which reduce payments to recipients living in areas of the state with lower housing costs; maximum family grants which cap a family's grant at existing levels when they have more children; barring sponsored immigrants from AFDC; and, eliminating State Supplemental Payments (SSP) for persons whose eligibility is based on drug and alcohol dependence. However, these proposals have not yet been implemented under the current federal-state relationship, because the Federal Government has refused to provide approval required to implement even these basic reforms.

“California’s experience has shown that states have the innovation and creativity to develop and implement welfare changes that meet the specific needs of the welfare population in their state.”

WHERE WE STAND NOW

California’s experience has shown that states have the innovation and creativity to develop and implement welfare changes that meet the specific needs of the welfare population in their state. Governors of both parties have been lobbying Congress and the President for maximum state flexibility in designing welfare programs that help families move from dependency to self-sufficiency without the federal government standing in the way. The only way to ensure this is to end federal restrictions and mandates on welfare altogether.

With the states’ governors leading the way, Congress has finally approved real welfare reform by providing a basic block grant that eliminates AFDC as an entitlement program, substituting in its place a state-run Temporary Assistance to Needy Families program. This budget assumes that this legislation or a similar act will be signed into law by the President.

In the short-run, the block grant will enable the state to implement those changes enacted into state law but not yet put into effect. It will institute various other changes including: barring current non-citizen immigrants from SSI/SSP beginning January 1, 1997 and barring new non-citizen applicants from aid upon enactment; barring aid for additional children but giving states the option to pass new legislation to provide such aid; and, eliminating the federal maintenance-of-effort requirements which have prevented states from controlling the cost of welfare programs.

WHERE WE ARE GOING

AFDC is California’s largest welfare program, providing cash assistance to help needy families meet the basic requirements of food, shelter, and clothing. It was developed in the 1930’s to help single mothers who were widowed and those who were abandoned by their husbands. The societal expectation of mothers in the 1930’s was different than it is today. The expectation then was that a mother’s work was in the home. Consistent with that norm, the original purpose of AFDC was to allow mothers to stay at home. Today, mothers financially provide for their families either in partnership with their spouse or on their own as a single parent, and the welfare system must reflect this change.

Welfare today is no longer a rational system. It downplays work and creates dependency. This behavior is often repeated in the following generation of children. It removes families from the mainstream, and discourages the formation of two-parent families. These outcomes of the welfare system were never intended. Nonetheless, the welfare system has created a level of dependency far greater than anticipated by the designers of the system.

The historical approach to meeting the needs of poor families has been simplistic and one-dimensional, treating the welfare population as though each recipient is the same with a single approach for every case and condition. This approach ignores the fact that welfare families have diverse and often complex barriers to independence while others need only minimal services to gain independence.

Proposed federal welfare reform gives California an historic opportunity to fundamentally redesign its welfare system, consistent with this Administration's efforts to move able-bodied recipients from welfare to work. The Governor's vision calls for a complete redesign of the welfare system that will focus on aiding families in crisis and providing services aimed at meeting the needs of a diverse population.

OVERVIEW OF THE REDESIGNED SYSTEM

The Administration's proposed redesign of welfare is guided by several basic principles:

- ✦ There is a mutual obligation between the recipient and the government.
- ✦ Fathers and mothers are equally responsible for the financial support and nurturing of their children.
- ✦ Work should pay more than welfare.
- ✦ Welfare should not contribute to family breakup.
- ✦ Recipients should be treated with dignity and be held responsible for the direction of their own lives.
- ✦ A single program design cannot meet the diverse needs of families receiving welfare.
- ✦ Program administration should be simple, cost-effective, and performance-based.

Consistent with these principles, California's redesigned welfare program will target services aimed at meeting the specific needs of families in crisis to expedite the transition from welfare to work. This individual-specific approach will achieve positive outcomes for participants, operate at less taxpayer cost, and strengthen and support vulnerable families and children.

Some of the fundamental changes of the redesigned system include:

- ✦ Elimination of the requirement that aid is provided only if one parent is deceased, disabled, missing or unemployed. Instead, eligibility would be based on the one-parent or two-parent family's income and assets as well as the presence of a child under 18 years of age.
- ✦ Provision of a flat grant. Rather than paying larger grants to families with more children, the proposed grant structure would be based on what someone could earn working full time at the minimum wage.
- ✦ Elimination of the "one-size-fits-all" approach. The proposed system recognizes the barriers to self-sufficiency presented by different groups within the welfare population; thus, the eligible population would be channeled to one of the following four tracks:

California Employment Re-entry Assistance—The purpose of this program is to transition individuals with a labor force connection quickly into employment. This program includes those

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who have worked in the past or who are currently working. The focus is on rapid re-employment by providing employment-oriented services. This group would receive time-limited cash assistance while involved in intensive efforts to re-enter the labor market.

Individuals in this assistance program would receive a flat cash grant, with periodic reductions to the maximum aid payment occurring at six months and again after one year of participation. At the end of two years, cash payments would end and recipients still on aid would be assessed for barriers to employment.

Family Transition Assistance Program—The current welfare caseload includes parents who have never worked and teen parents who require more intensive services. Rather than direct cash payments, this group would receive vouchers for services, such as housing, transportation, and child care. This will guarantee that children's needs are being met while the parents move from dependency to work. The duration of benefits would be based on determining the time needed for the parent to enter employment. Because the goal is to provide intensive interventions to remove barriers to employment, these recipients move directly from this program to employment.

Disabled Family Assistance Program—Disabled adults may be unable to meet fully the needs of their children without assistance from other sources. Adults caring for a disabled child may also need income assistance when the needs of the child prevent full-time employment. The Disabled Family Assistance Program would assist families when the barrier to employment is a disability of the child or the adult. Recipients of this program would receive cash aid, which would be time-limited based upon the anticipated duration of the disability.

Child-Only Assistance Program—This program would assist two distinct populations for which cash assistance is provided only for the children—parents who are ineligible for aid, and children living with relatives who receive welfare in lieu of foster care payments.

For the first category, this program assumes parents should financially support their children even when they are ineligible for aid. This program would provide limited cash assistance to meet the needs of the children and to encourage parental financial support. For the second category, when a child is living with a relative who is not the parent, cash assistance would be available for the needs of the child. These benefits would not be time-limited.

The Administration's proposal builds on prior reforms to modernize the welfare system, creating incentives to work and removing current disincentives to marry. Using the flexibility of the federal block grant to achieve major systemic changes, this new system provides short-term assistance to those who need it, while allowing them to advance beyond welfare dependency and to set an example of self-sufficiency for their children.

MEDICAID BLOCK GRANT

Responsibility for providing health care to low-income Californians is currently divided among the state, the federal government, and counties. The state's Medicaid program, Medi-Cal, operates under extensive federal requirements and provides coverage primarily to families receiving AFDC, aged, blind, and disabled persons receiving SSI/SSP grants, low-income pregnant women, children and medically needy persons. Approximately 5.4 million individuals are eligible for Medi-Cal.

Under the state's welfare laws, counties provide health care to low-income Californians who are not eligible for Medi-Cal or other health care programs. These individuals are generally low-income working persons and families without private insurance, or single adults who are not

working. Eligibility for county indigent health care services varies by county. Over 1.5 million individuals are served annually through this county system.

Over the past five years, California has enacted important reforms to expand health coverage to priority populations and to contain program costs. Efforts such as Medi-Cal managed care and the Access for Infants and Mothers (AIM) program represent targeted strategies to expand access and contain costs. California's ability to achieve broader reform of the State's health care system for low-income populations has been limited, however, by federally prescribed mandates. The current Medicaid program can be characterized as a "one-size-fits-all" approach that does not reflect the diversity of state needs, circumstances or priorities, and hinders creative state strategies to improve access to care in the most cost-effective manner.

Among the Medicaid program's most troubling aspects:

- ✦ The program is inequitable; eligibility for the current program is linked to the AFDC and SSI/SSP programs. This linkage results in non-working individuals and their families on public aid having guaranteed health care while low-income working individuals and their families are not assured similar access to health care.
- ✦ Medicaid's linkage of eligibility to welfare services is a disincentive for some low-income individuals to seek gainful employment.
- ✦ The program is fiscally open-ended. There is limited state flexibility for alternative approaches, absent approval from Washington, to modify eligibility, benefits or service delivery strategies to accommodate available resources.
- ✦ The program fails to maximize efficiencies. Program efficiencies and service integration are not sufficiently achieved in the current system due in large part to overlapping responsibilities of the federal, state and county governments in varied areas.
- ✦ The program is unnecessarily complex and difficult to administer.

It appears likely that Medicaid block grant legislation will be enacted by Congress that will cap federal program expenditures and provide states with greater decision making authority for program design and operation than currently exists. While the fiscal and programmatic elements of Medicaid reform are still being negotiated, states must insist that block grant legislation eliminate many federal requirements and provide sufficient and long overdue flexibility for states to make fundamental changes to the delivery and financing of health care for low-income populations.

Properly and effectively structured, a block grant for Medicaid offers California an important and unique opportunity to rationalize the delivery of health care to low-income persons and pursue strategies to improve access and quality, reduce the complexity and inefficiency of the existing system, and better serve taxpayers through the most prudent use of limited resources. As the state anticipates the potential opportunity to redesign the Medi-Cal program and transition to a reformed system, the following principles should guide the state's restructuring efforts:

Maximize use of efficient managed care strategies. A reformed system should take advantage of and maximize use of efficient, cost-effective managed health care delivery approaches.

Promote fairness to workers and promote a work incentive. Access to basic health care should be available according to financial circumstances rather than being linked to welfare programs. Eliminating this linkage will remove a principal barrier currently faced by low-income individuals seeking to become self-sufficient—the cost of health care for themselves and their families.

"The current Medicaid program can be characterized as a "one-size-fits-all" approach that does not reflect the diversity of state needs."

Operate within a budget-driven system. A reformed health care system should be capable of operating within fixed budget constraints. The reformed system must be structured in a manner which is responsive to changes in available resources and caseload.

Deliver cost-effective care. A reformed health care system should assure delivery of cost-effective and administratively efficient medical services.

Operate as a rational, simplified system of care. Fragmentation and duplication of responsibilities between the state, counties, and local agencies should be minimized wherever possible.

Address the needs of special populations. A reformed system should take into account the particular needs of special populations which may have unique health care needs.

Protect public health. Population-based public health services and personal health care services must be coordinated under a reformed system.

Further reforms of the private small group insurance market should be considered to promote access to affordable coverage, particularly in the context of reforms to the publicly funded health care system. Access to employer-sponsored and individually purchased coverage is preferable to reliance on publicly funded care.

Promote personal responsibility. Individuals should share in the cost of their health care to increase their sensitivity to the cost of various health care decisions and thus promote personal responsibility for their health.

WORKFORCE DEVELOPMENT BLOCK GRANT LEGISLATION

Congress is considering Workforce Development Block Grant legislation that would consolidate up to 100 federal employment and training programs. This legislation, however, would exclude some federal and all state employment and training programs. The Workforce Development Block Grant would provide states the opportunity to plan and implement new systems to address their unique workforce development needs.

The Governor intends to continue his efforts to integrate to the fullest extent possible all workforce development programs in California into a comprehensive system able to effectively and efficiently meet the needs of employers, job-seekers, students, educators, and others. Current reform efforts include:

- ✦ Development of a One-Stop Career Center System to provide necessary services to employers and job-seekers.
- ✦ Adoption of a performance-based accountability system to measure the effectiveness of all employment and training programs.
- ✦ Implementation of a "school-to-work" system to establish a strong linkage between school and the workplace.
- ✦ Improvement in the type and accessibility of labor market information.

The Workforce Development Block Grant will allow California to accelerate reform and system integration. Welfare reform places strong requirements on the states to meet work requirements and will withhold federal funds if the requirements are not met. The welfare-to-work requirements will increase the demand for programs and services to move clients from dependency on welfare grant entitlements to economic self-sufficiency. Using the current employment and

training reforms as a starting point, the Workforce Development and Welfare Block Grants will give California increased levels of flexibility to design the effective welfare-to-work program needed to meet this new demand. ☞

Infrastructure

The Governor's Budget proposes a capital outlay program of over \$8 billion, consisting of a General Obligation bond proposal totaling \$7.84 billion and over \$319 million from the General Fund, Special Funds, and existing Bond Funds. This capital program will help assure that California is poised to handle the challenges and opportunities that it faces as its economy rebounds. Through prudent public investment in the state's education, public safety, transportation, and water-related facilities, the Governor's infrastructure proposal will enhance the State's ability to attract private investment and encourage economic growth.

A major portion of this infrastructure plan is proposed to be funded from General Obligation bonds to be put before the voters in 1996. The components of that bond proposal are displayed in Table A.

TABLE A

1996 Bond Proposal

K-12 and Higher Education: \$3.0 billion

\$2.025 billion for K-12

\$975 million for higher education

Public Safety: \$2.2 billion

\$1.642 billion for CDC to construct six new prisons and plan nine more prisons

\$150 million for CYA for additional bed capacity

\$274 million for ongoing capital outlay for CDC and Youth Authority

\$150 million for local juvenile detention facilities

Seismic Retrofit of State Highways and Bridges: \$2.0 billion

\$1.35 billion to improve state freeways and bridges to seismic standards

\$650 million to improve state toll bridges to seismic standards

Water Programs: \$540 million

\$220 million for a comprehensive water management plan for the Bay-Delta

\$320 million for local wastewater treatment plants and reclamation facilities

Infrastructure Bank: \$100 million

\$100 million to finance infrastructure that promotes economic development

Major components of the Governor's infrastructure proposal are:

K-12 AND HIGHER EDUCATION: \$3.0 BILLION

Businesses prefer locating in states with strong education systems that produce a well-educated work force. Appropriate infrastructure is essential to quality education. The Administration recommends that California make a major investment in its education infrastructure.

\$2 BILLION FOR K-12 SCHOOLS

The Governor is proposing an additional \$2.025 billion in General Obligation bonds for the State School Lease Purchase Program. When such a measure is approved by the voters, it should be the last state bond measure for this program as it is now structured. The demand for new school facilities during the next several years requires that a partner-

"...the Governor's infrastructure proposal will enhance the State's ability to attract private investment and encourage economic growth."

ship between the State and school districts be recognized to ensure maximum utility of whatever funds are available from the State and local sources. A discussion of how such a partnership should be structured is included in the *K-12 Education* section of the Budget Summary.

The bond measure will make a significant contribution toward meeting the needs of students in California's public schools. This bond will provide funds for new construction to build over 5,000 classrooms to house approximately 150,000 pupils. Funds will also be available for projects including reconstruction, air conditioning, roof replacement and seismic retrofit. Allocations can be made for modernization projects to include wiring and cabling to enable structures to accommodate computers and other high technology equipment. Modernization projects will also make schools safer.

\$975 MILLION FOR HIGHER EDUCATION

In 1995-96, the Administration committed to providing each segment of higher education—the University of California (UC), California State University (CSU) and the California Community Colleges (CCC)—with an average of \$150 million per year for capital outlay programs over the next four years. The 1996-97 Governor's Budget recommends placing a \$975 million General Obligation bond on the 1996 ballot to continue with funding for the second and third year of the compact.

In 1996-97, UC will spend \$142.3 million in bond funds (\$140.3 million of proposed new bonds; \$2 million in prior bond funds) for its capital outlay program. In addition, it will use \$10 million of its compact funding for deferred maintenance. CSU plans \$150 million in capital outlay projects. CCC proposes \$119.6 million with an emphasis on project planning; CCC anticipates that its 1997-98 capital outlay program will total \$180 million.

These funds will address vital infrastructure needs, fire/life/safety deficiencies, and seismic retrofitting. In addition, funds will permit a limited number of projects to meet critical space deficiencies based on current program enrollment. The Administration continues to support the necessity of maintaining the existing infrastructure while addressing growth needs as new funds become available.

PUBLIC SAFETY: \$2.2 BILLION

One of the foundations of both community strength and a prosperous business environment is freedom from serious crime. The Administration remains committed to public safety, which means that strong laws to protect the public must be matched with responsible programs to detain criminals in secure facilities. The Governor's Budget proposes a combination of new bond authority and existing funds to fulfill this commitment.

\$1.9 BILLION TO INCARCERATE ADULT FELONS IN STATE PRISONS

Prison populations have grown as a result of law changes which have defined new crimes or lengthened sentences, including the "Three Strikes" law. Combining the impact of these new laws with historical growth patterns, the California Department of Corrections (CDC) projects its inmate population will exceed 230,000 by the year 2001. This is an annual growth of over 17,000 inmates. Even using rigorous occupancy standards and converting dayrooms and gymnasiums to dormitories, CDC will exhaust all possible housing capacity by early 1998. If inmate housing is insufficient, the courts may order early releases of felons to avoid unacceptable levels of overcrowding. A discussion of prison population pressures is provided in the *Public Safety* section of the Budget Summary.

"...strong laws to protect the public must be matched with responsible programs to detain criminals in secure facilities."

To provide for growing prison populations, as well as to maintain existing prisons in operable condition, the Governor's Budget proposes placing a \$1.865 billion General Obligation bond for a multi-year prison construction and renovation program on the 1996 ballot. These funds will allow planning and construction of six new prisons with a design bed capacity of approximately 15,000 beds (capable of housing approximately 27,600 inmates) by 2000-01. The six new prisons will be constructed in Delano, Kern County (Delano II); California City, Kern County; San Diego County (San Diego II); Sacramento area (Northern California Reception Center); Taft, Kern County; and Solano County (Solano II). In addition, the bond measure will fund major and minor projects for the department, including improvements in health care facilities and wastewater treatment, as well as planning efforts for future additional prisons.

Of these bond funds, \$50.6 million is included in the budget for major and minor capital outlay projects at existing prisons. The balance, for the six new prisons as well as planning for additional prisons needed in the future, will not be reflected in CDC's budget until authorizing legislation has been enacted. In addition, the Administration has provided \$7.2 million from the General Fund to complete the Emergency Bed Program, which provides temporary housing until new prisons can be activated. The 1996-97 Governor's Budget anticipates another \$27 million in federal funds from Public Law 103-322 (The Violent Crime Control and Law Enforcement Act of 1994) to support planning efforts for the six new prisons.

\$204.5 MILLION FOR STATE JUVENILE INSTITUTIONS

Current population projections indicate that the Department of the Youth Authority's institution population will grow by six percent (from 9,931 wards to 10,505) by the year 2000. The Youth Authority's facilities currently operate at approximately 150 percent of design capacity. There is a need to reduce the crowding level and provide additional space for the normal growth in population.

Therefore, the Administration recommends \$150 million in new bond authority for a multi-year program to construct additional bed space for 1,450 youthful offenders. In addition, \$51 million in bond funds is proposed for major and minor capital outlay projects to maintain state juvenile institutions in operable condition. Of the new bond funds, \$27.7 million has been included in the 1996-97 Governor's Budget; the balance is proposed for expenditure in future years. In addition, the Youth Authority will receive \$3.5 million from the General Fund in 1996-97 for critical minor capital outlay projects.

\$150 MILLION FOR LOCAL JUVENILE DETENTION FACILITIES

Throughout California, state, county and city public safety agencies face rapid growth in the number of violent juvenile offenders. Most juvenile facilities in California were constructed over 25 years ago to address juvenile offenders who were less criminally sophisticated and less violent than today's juvenile offender population. In addition, many juvenile detention facilities are operating over their designed capacity.

The Administration proposes \$150 million in new bond authority to build, expand, and remodel county juvenile correctional facilities. Upon enactment of this measure through a 1996 ballot proposition, the Board of Corrections will be charged with the responsibility for assisting counties in planning, designing and constructing facilities in ways that promote economy, quality, efficiency and the highest degree of safety for the public, staff and the wards detained.

SEISMIC PROGRAMS: \$2.2 BILLION

Earthquakes are one of California's greatest natural challenges. That challenge is met in part by protecting public infrastructure through careful planning and sound engineering. Two programs for 1996-97 continue the state's direction of planning—and building—wisely for the future.

\$2 BILLION FOR CALIFORNIA'S HIGHWAY SYSTEM

The Loma Prieta and Northridge earthquakes provided evidence of the need for seismic strengthening of some of the state's highway and toll bridges. Since the 1989 Loma Prieta earthquake, nearly all of the state's 12,000 highway bridges and elevated roadways have been evaluated for retrofit need. The first phase of retrofitting 1,039 highway bridges has essentially been completed. The second phase, which began in 1994-95, will involve 1,208 structures. It is now estimated that \$1.35 billion will be needed for the second phase to bring the State's freeway and highway bridges up to the revised safety standards. In addition, the state's toll bridges are expected to cost at least \$650 million to retrofit.

As part of the 1995-96 budget agreement, the Legislature and the Governor, placed a \$2 billion bond issue on the March 1996 ballot to cover the costs of retrofitting the state's highways and bridges. Passage of the bond measure will provide the vital funding needed to complete the second phase of seismic retrofitting—and help restore some of the most critical transportation projects which have been deferred because of the impacts of the earthquakes and the recession. Specific appropriations of the bond funds will be proposed after approval by the voters and the adoption by the California Transportation Commission of a 1996 State Transportation Improvement Program which includes bond proceeds.

\$154.6 MILLION FOR SEISMIC RETROFITTING OF STATE FACILITIES

In 1996-97, the Department of General Services will continue with the seismic retrofit of state facilities judged to present the greatest risk to the public in the event of an earthquake. This program will be funded from the Earthquake Safety and Public Buildings Rehabilitation Fund of 1990. To date, the State Architect has reviewed approximately 7,000 state facilities and identified 50 with the highest likelihood of severe damage to life and property in the event of an earthquake. In 1996-97, the State Architect will complete working drawings or begin construction on 14 of these facilities at a cost of \$154.6 million.

WATER PROGRAMS: \$540 MILLION

Water is literally California's lifeblood. This precious resource is essential to economic growth and environmental soundness. Urban growth, agriculture, and wildlife habitat each have strong fundamental claims to adequate, clean water. Reconciling those legitimate claims to an adequate water supply has been a long-time challenge in California. The Administration is proposing an infrastructure initiative for water programs that will help secure California's economic and environmental future.

\$220 MILLION INFRASTRUCTURE FUNDING FOR THE STATE'S BAY-DELTA RESTORATION PROGRAM

In April 1992, the Governor announced the Water Policy Framework. Its primary objectives are safe, reliable water supplies for domestic, municipal and industrial uses for cities; adequate long-term water supplies at a reasonable cost, with dry-year groundwater reserves where feasible for agriculture; and systemic restoration and protection of fish and wildlife resources and aquatic habitat. These goals are being achieved through greater conservation and efficiency

of existing supplies, groundwater banking and management, reallocation of supplies through voluntary water marketing, new technologies, the development of storage and conveyance facilities, integrated management of state and federal projects, and increased flexibility in utilization of Colorado River resources. A comprehensive water management program is within reach, with substantive progress having been made since 1991.

There is a compelling need for a comprehensive solution in the San Francisco Bay/Sacramento-San Joaquin Delta ecosystem. While one of the world's most productive estuaries, its fish and wildlife values must be associated with the efficiency and reliability of water export systems, water quality for consumptive uses, and the physical integrity of the Delta channels and levees.

Building on the opportunity to "fix the Delta" presented by the historic Bay-Delta Accord, and to further the objectives of the Governor's Water Policy Framework, a \$220 million General Obligation bond will be proposed for the November 1996 General Election. Funds from the sale of the bonds will finance various infrastructure programs to protect, maintain, restore and enhance the overall quality of the Bay-Delta while ensuring reliable water supplies in anticipation of the long-term solution now being developed jointly by the state and federal governments. Projects would include, but not be limited to, fish and wildlife habitat enhancement and restoration, Delta levee rehabilitation, construction of improved South Delta facilities, and feasibility investigations of off-stream storage and conjunctive use facilities.

\$320 MILLION FOR LOCAL WASTEWATER TREATMENT PLANTS AND RECLAMATION FACILITIES

The projected demand for local water treatment and water reclamation facilities is estimated to be over \$10 billion through the year 2000. This includes expanding existing sewer plant capacity to meet a growing volume of wastewater, building additional sewer facilities to serve new developments and upgrading existing facilities to meet federal Clean Water Act secondary treatment standards. Treatment facilities both ensure that wastewater does not pollute the environment or create public health problems, and to provide a source of reclaimed water which can be used to lessen demand on fresh water supplies.

Significant federal dollars are available to meet this local need. However, matching funds are required. The Administration proposes using state dollars to leverage these federal funds (\$1 in state funds would match \$5 in federal funds). Funds would provide low-interest loans to local communities for construction of wastewater treatment and water pollution control projects; provide grants to small communities for the construction of wastewater treatment facilities; and provide loans to communities for construction of cost-effective water reclamation projects.

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK: \$100 MILLION

California's long-term economic health depends on adequate private and public investments in infrastructure. The Governor's Budget proposes a \$100 million General Obligation bond program for the development of an Infrastructure Bank, consistent with the intent and objectives of provisions of legislation enacted in 1994 and 1995. These will assist the State and local jurisdictions in attracting economic development projects that will create new jobs by addressing critical infrastructure needs. A discussion of the Infrastructure Bank is included in the *Strengthening California's Competitive Position* section of the Budget Summary.

OTHER CRITICAL INFRASTRUCTURE

The State's multi-billion dollar infrastructure must be maintained and periodically upgraded or renovated to ensure that it continues to serve the public well. Approximately \$125 million is proposed in 1996-97 from a variety of fund sources for other projects which protect the state's infrastructure investments. Of this amount, \$64.1 million is proposed from the General Fund for projects such as fire stations, air attack and helitack bases, and emergency command centers for the California Department of Forestry and Fire Protection; a replacement facility for a dilapidated laboratory for the Department of Health Services which tests for diseases and toxic substances; acquiring a site and beginning plans for a State Operations Center for the Office of Emergency Services; a replacement armory in Los Angeles for the Military Department; ongoing flood control projects; and fire/life/safety improvements at two state hospitals. Another \$51.4 million is proposed from special funds for projects such as field offices for the California Highway Patrol and the Department of Motor Vehicles. For more detail on these projects, see the *Capital Outlay* portion of the *General Government* section of the Budget Summary. ≈

Efficiency in State Government Operations

Improving the quality of state programs and services, while containing the cost of delivering them, has served as a guiding principle of this Administration. Taxpayers want government to be effective, accountable, and to deliver quality service at no higher cost than necessary. Most also want limited growth in government. This Administration has done both.

In response to the economic challenges of recent years, the Administration initiated a series of actions that resulted in most state departments not being provided funding to offset the cost of inflation on operating expenses, the cost of salary step increases and the cost of salary increases granted to their employees. Departments have also been required to take extensive "unallocated" or specific reductions. These reductions have been permanent changes. In 1996-97, this Budget continues this philosophy of restraining spending by not providing funding for these pressures and thereby saving over \$128 million for the General Fund. In effect, the Governor has taken state government off automatic increased spending practices. To its credit, the state workforce responded successfully to the challenge of maintaining the quality and level of state services throughout, resulting in a more effective and efficient system for the delivery of services.

California leads the nation in the fewest number of state employees per population with 8.3 state employees per 1,000 citizens. Approximately 270,000¹ state employees (including 87,000 in the University of California and California State University systems) provide Californians with safety, education, transportation, health and other essential services. Consistent with the Administration's commitment to public safety, the number of employees engaged in safety activities has increased cumulatively by over 37 percent since 1990-91 (from 48,000 in 1990-91 to 66,000 in 1996-97). Over the same period, the Governor has reduced the balance of the workforce personnel below 1990-91 levels (see Figure A).

The improving fiscal picture for 1996-97 will not affect the Administration's efforts to deliver the best value possible for taxpayer dollars. Instead, the Administration will seek to build upon reforms that have been enacted since 1991, and to pursue additional change in new areas.

Using Competition to Deliver Value. The Administration believes that the most productive means of achieving further efficiencies and cost savings in the delivery of public services lies in introducing more competition between the public and private sectors. Such competition will not only open potential new markets for the private sector, but will introduce an incentive for government to consider and adopt alternative, more cost-effective means of delivering services. Whether the state retains business that is awarded competitively or private business earns it, the

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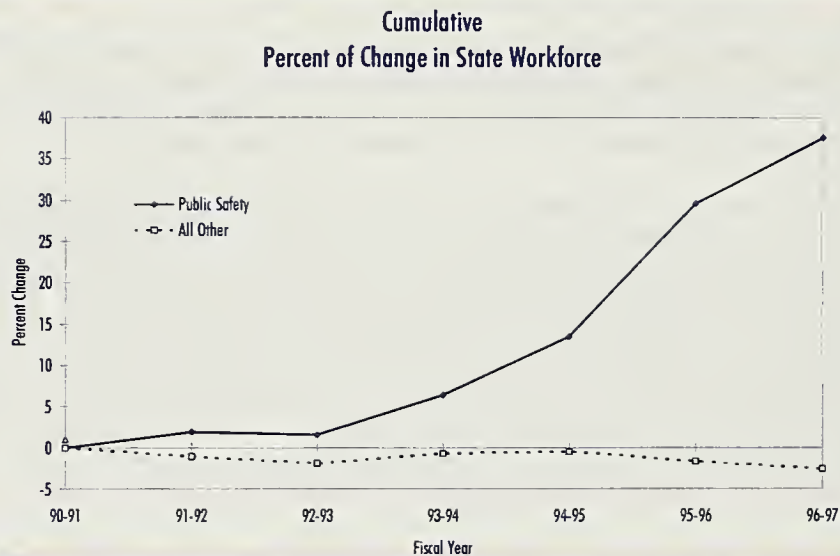
¹All personnel year numbers exclude Legislature, Legislative staff and State Compensation Insurance Fund employees.

taxpayers are the beneficiaries through improved quality, increased supply, reduced delivery time, and/or cost savings.

In addition to ensuring that the delivery of services is accomplished in the most efficient and cost-effective manner possible, the Administration believes that the issue of whether the services being delivered are truly necessary must also be examined. Government should perform only those functions where value is added for the taxpayer, either because an essential service is involved that cannot be performed by the private sector, or where government has a competitive advantage over the private sector in the delivery of the service.

To help ensure that California's government is efficient, innovative, and properly focused on core services and objectives, the Governor has directed a top-to-bottom review of state agencies to identify their highest priority functions and opportunities for out-sourcing, consolidating and divesting duties where appropriate. Departments and agencies will submit plans for divestiture

FIGURE A



of programs where feasible, and for the re-engineering of remaining, priority functions to deliver higher-quality services at lower costs.

To implement the practice of increased competition, an interagency group led by the State and Consumer Services Agency will produce a guide for state managers and agency secretaries to prepare them for more competitive management. In addition, the Administration will assemble a task force of state leaders, with private sector input, to provide broad policy oversight on competitive state projects and proposals. Finally, the State and Consumer Services Agency will assist individual departments in achieving competitive superiority.

In addition to enhancing the element of competition in the delivery of state services, if government is to provide greater value, other reforms are necessary in the areas of the civil service, procurement, performance budgeting, and information technology.

Civil Service Reform. Efforts to streamline the state's civil service system continue with an emphasis on making it more responsive to employee job performance and improving the state's

ability to hire well-qualified employees. This is consistent with conclusions reached by the Little Hoover Commission and the Constitution Revision Commission in their 1995 studies of the state's personnel management system.

Some elements of civil service reform are already in place. The performance pay rules established by the Department of Personnel Administration (DPA) for managers and supervisors have been implemented. The rules provide that salary increases for managers and supervisors will no longer be automatic; instead, only those who are performing successfully will be eligible for pay increases.

Progress is also being made with state employees covered by collective bargaining. In 1995, the California Association of Highway Patrolmen reached an agreement with the State that included many important reforms. These reforms include performance-based pay, a streamlined process for resolving certain disciplinary appeals, elimination of appeal rights for employees who are terminated during their probationary period, and an agreement to support legislation to make it easier to change personnel regulations and pilot new approaches to personnel management. DPA is currently pursuing these reforms in bargaining with other state employee unions, and will be sponsoring legislation to make these reforms effective throughout the executive branch for employees excluded from bargaining.

Similarly, procedures for employee discipline appeals should not be so burdensome and time-consuming that they discourage managers and supervisors from correcting performance problems. Instead, the state should move to a simpler, non-evidentiary process, as is the practice in the private sector. The state's position classification plan and personnel rulemaking procedures must also be streamlined to make the personnel system more flexible, and less bureaucratic.

The state's hiring procedures must also be improved. Examining processes that can involve thousands of candidates and take months to complete often prevent hiring the best applicants. Changes will be pursued that allow the state to examine a reasonable number of candidates on a timely basis and offer jobs to the best qualified candidates, whether they are current state employees or from the open labor market.

Procurement Reform. The Administration's ambitious procurement reform known as "Procurement 2000" is well underway. It is an action plan that overhauls the way the state purchases goods and services—from Highway Patrol vehicles to computer supplies—to keep government operating. The administration is working toward implementation of statutory and regulatory changes to streamline the state's overall acquisition process to place emphasis on service, performance, and the best products for the dollar.

With recent changes in state law allowing private vendors greater use of credit card purchases and greater flexibility using the California Multiple Awards Schedule (CMAS), it is becoming easier for individuals and companies to conduct business with the state. To reduce paperwork, save time, and cut costs, the Department of General Services established the Cal Card program, where state and public agencies can purchase office supplies and miscellaneous items (less than \$1,000) with a credit card. Eventually over 200 state agencies could use a credit card as well as 470 cities and the 58 counties.

The CMAS program expedites acquisition at reduced costs. It is expected that CMAS purchase volume will grow from \$61 million in 1994-95 to \$100 million during the current year.

Performance Budgeting. In 1993, the Administration established a performance budgeting pilot project in four departments. The Legislature responded to the Governor's initiative by enacting the Performance and Results Act, which authorized the implementation of the pilot project. Performance budgeting allocates resources based on an expectation of performance

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levels, where performance is measured in specific, meaningful terms. It focuses on outcomes, rather than inputs or processes. Performance budgeting will lead to more efficient and accountable delivery of governmental services. Performance budgeting involves the introduction of performance measures and related cost information into the budget decision-making process. This will require the ongoing measurement of performance from year to year, and the use of innovative, cost-effective methods to improve performance.

"Performance budgeting will lead to more efficient and accountable delivery of governmental services."

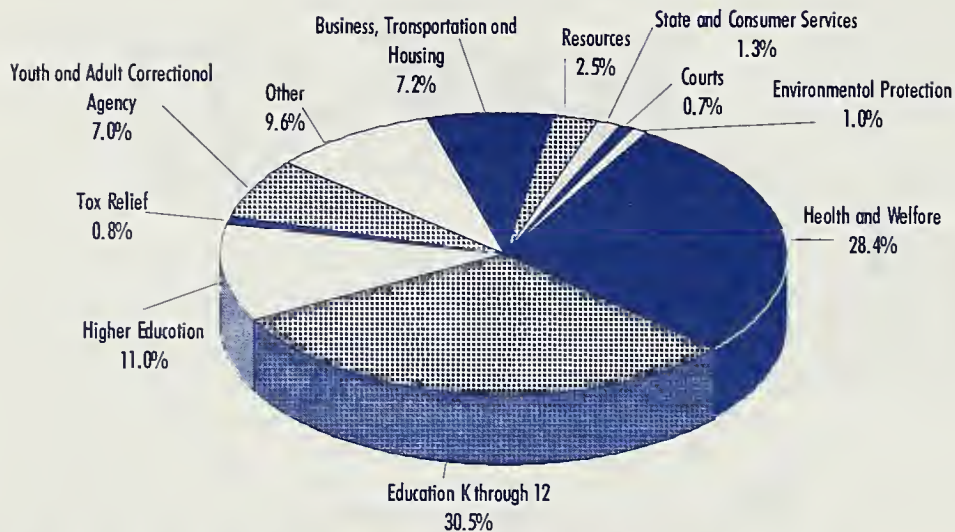
Departments participating in the pilot project are required to comply with the performance expectations adopted by the Legislature. Participating departments have made substantial progress in fulfilling previous years' agreements with the Legislature, and are in the process of implementing the Legislature's 1995-96 requirements. The pilot departments are still in the process of carrying out preliminary tasks and activities, refining strategic plans and performance measures, setting up data collection systems, and developing needed baseline data. These activities have resulted in a number of organizational development efforts and new methods of doing business. Although the pilot project is in the developmental stages, it is clearly laying a foundation for implementation of an effective performance budgeting system that will provide for more effective management.

Future Directions for Information Technology. As more information tools become available to improve the efficiency and effectiveness of the state's business operation, wise information technology investments will continue to grow in importance. Headed by the recently appointed State Chief Information Officer, the Department of Information Technology intends to establish information technology standards; consolidate data centers and telecommunications networks as appropriate; continue the Administration's efforts to reform the procurement process; facilitate information exchange between state offices; make government more accessible to the public; improve state agencies' overall ability to manage information technology projects; and to develop policies, goals and objectives for sharing risks and benefits with the private sector. ☞

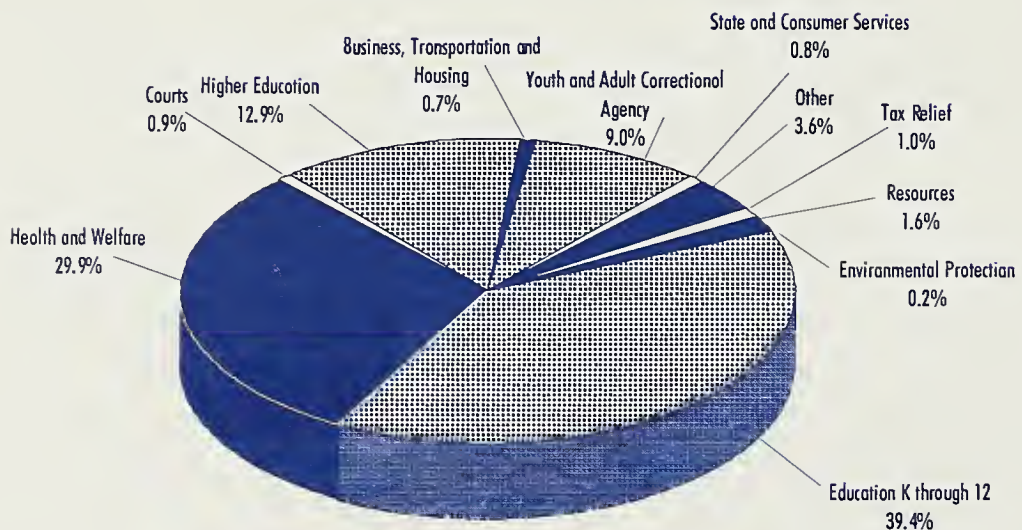
1996-97 Budget Summary

EXPENDITURES 1996-97 FISCAL YEAR

Total Expenditures (Excluding Selected Bond Funds)

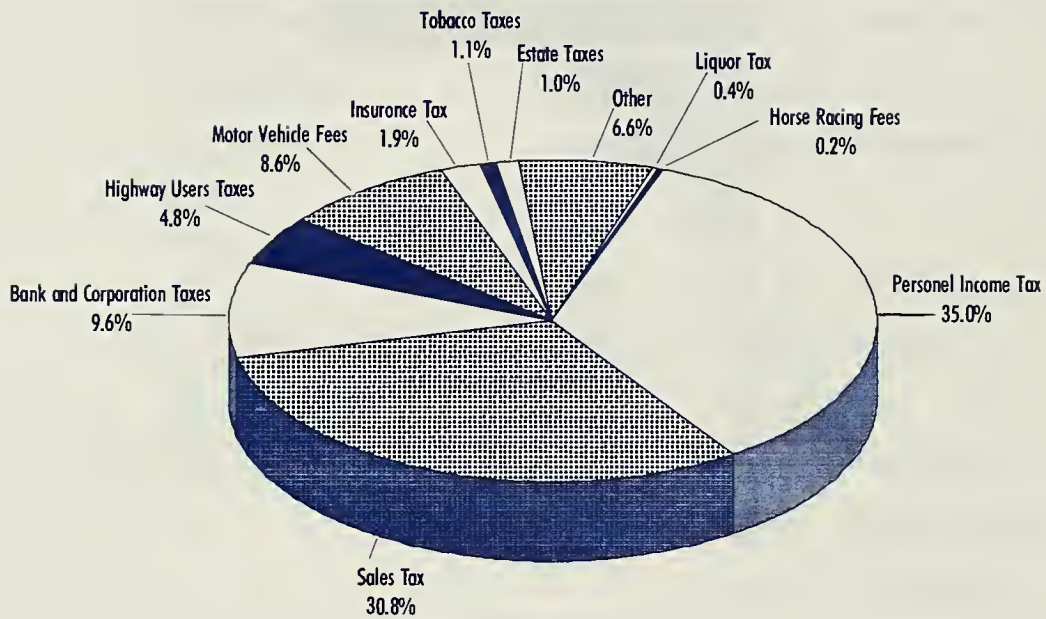


General Fund Expenditures

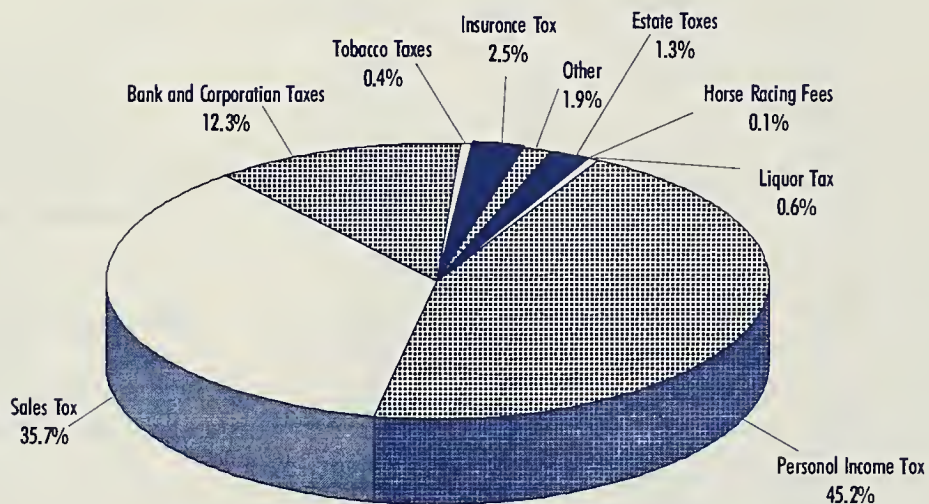


REVENUES 1996-97 FISCAL YEAR

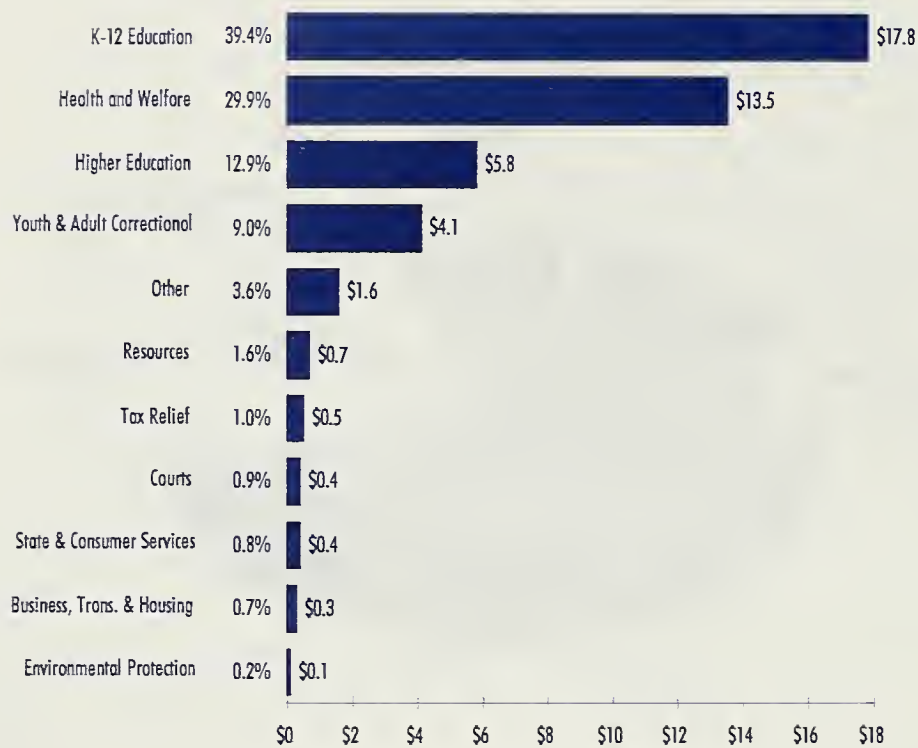
Total Revenues and Transfers



General Fund Revenues and Transfers



GENERAL FUND EXPENDITURES 1996-97 (DOLLARS IN BILLIONS)



1996-97 REVENUE SOURCES

(DOLLARS IN THOUSANDS)

| | General Fund | Special Fund |
|--------------------------|-----------------|-----------------|
| Personal Income Tax | \$20,583,000 | -- |
| Sales Tax | 16,275,000 | \$1,837,518 |
| Bank and Corporation Tax | 5,620,000 | 500 |
| Highway Users Taxes | -- | 2,847,849 |
| Motor Vehicle Fees | 36,500 | 5,026,740 |
| Insurance Tax | 1,120,000 | -- |
| Estate Taxes | 578,000 | -- |
| Liquor Tax | 262,000 | -- |
| Tobacco Taxes | 162,000 | 468,100 |
| Horseracing Fees | 67,305 | 37,600 |
| Other | 866,705 | 3,063,404 |
| Total | \$45,570,510 | \$13,281,711 |

1996-97 EXPENDITURES BY FUND

(DOLLARS IN MILLIONS)

| Function | General Fund | Special Funds | Bond Funds | Total |
|--------------------------------------|-----------------|------------------|---------------|----------|
| Education (K-12) | \$17,820 | \$36 | \$1,921 | \$19,777 |
| Health and Welfare | 13,542 | 3,104 | -- | 16,646 |
| Higher Education | 5,851 | 610 | 424 | 6,885 |
| Business, Transportation and Housing | 306 | 3,910 | 184 | 4,400 |
| Trade and Commerce | 40 | 10 | -- | 50 |
| Courts | 398 | -- | -- | 398 |
| Tax Relief | 465 | -- | -- | 465 |
| Youth and Adult Corrections | 4,084 | 12 | 157 | 4,253 |
| Resources | 705 | 786 | 70 | 1,561 |
| Environmental Protection | 106 | 472 | 39 | 617 |
| State and Consumer Services | 362 | 389 | 156 | 907 |
| Other | 1,563 | 4,004 | 5 | 5,572 |
| Total | \$45,242 | \$13,333 | \$2,956 | \$61,531 |

Economic Outlook

THE NATIONAL ECONOMY

U.S. economic activity slowed in 1995, achieving the "soft landing" desired by the Federal Reserve Board. Growth in real gross domestic product (GDP) dropped to 3.3 percent from the 4.1-percent pace of 1994. Real investment in producers' durable equipment again led growth, posting the third straight year of double-digit gains. Consumer spending—up 2.9 percent for 1995—trailed slightly the growth in GDP. Both exports and government purchases were a drag on growth last year. Fears that the low level of unemployment would fuel price increases proved groundless. Inflation, as measured by the GDP implicit price deflator, dropped to under 2 percent for the year.

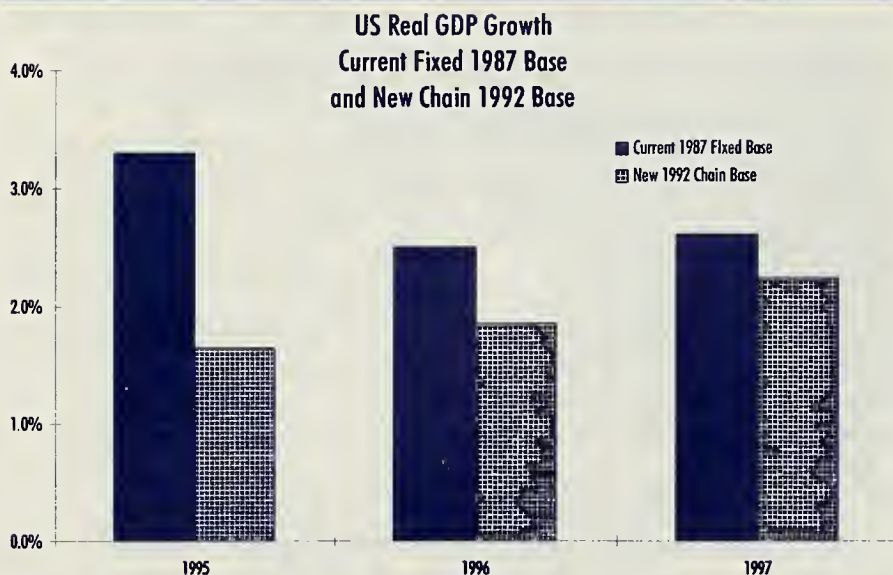
Sluggish performance. Underlying growth appears substantially weaker than indicated by last year's GDP advance, which was boosted by strong third-quarter inventory accumulation. Most indicators of national economic performance paint a picture of sluggish activity. Although the unemployment rate remained low and level—averaging 5.6 percent for 1995—nonfarm job

growth decelerated over the course of the year. Year-over-year employment gains of 3 percent early in the year, dwindled to 1.5 percent by November. Factories cut payrolls throughout most of the latter part of the year as tepid demand caused excess inventories to pile up.

Retail sales fell in October, after increasing only 0.1 percent in September. Early reports of holiday sales suggest the season will have been disappointing, with gains

generally trailing the year-ago performance. Significantly, light truck sales, which have been the mainstay of the motor vehicle sector, declined in both September and October and were flat in November. October also saw declines in industrial production, durable goods orders, housing starts and leading economic indicators. Sales of single-family homes were running 2 percent below 1994 levels, despite declines in mortgage rates.

FIGURE ECON-A



Further inventory correction in early 1996 will follow the current weakness. The forecast assumes that the Federal Reserve will take further action to stabilize the economy soon.

Stable growth. Real GDP is expected to settle into a moderate 2-1/2-percent pace in 1996 and 1997, based on the traditional "fixed-weight" 1987 measure. Current retail sales weakness, coupled with the need to pare excessive business inventories, will result in slower growth over the next two to three quarters. However, the Federal Reserve is expected to further cut interest rates, and the bond market is already near the 20-year lows (in terms of yield) reached in 1993. These lower interest rates should revive growth in late 1996 and 1997.

Consumer spending will continue to grow but at a more moderate pace. High levels of household debt are a concern. Installment credit—including personal and auto loans, as well as credit card debt—and mortgage credit have been growing much faster than disposable income. Relative to income, debt levels are near all-time highs. In part, this reflects the growing use of credit cards as a replacement for cash and checks, due solely to convenience. To the extent balances are paid off monthly, this represents merely a change in method of payment rather than an increase in debt. Also, falling interest rates have cut the cost of servicing debt, thereby allowing more credit expansion. Nonetheless, the heavy debt burden will restrain real growth in personal consumption expenditures to the 2-1/2-percent range over the next two years.

Export growth will remain strong, helping to shrink the U.S. trade deficit in goods and services. The fall in the value of the dollar has

increased the international competitiveness of U.S. goods, which will both boost exports and slice imports. Slowing growth here will also pare demand for imports, while gains in economic activity are anticipated for several major trading partners. Europe appears headed for a modest acceleration, and Japan and Mexico are expected to stop contracting, thus providing increased demand for U.S. exports.

OTHER U.S. FORECAST HIGHLIGHTS:

- ✦ Inflation will remain fairly constant, with consumer prices up in the 3-percent range this year and next. Lower energy prices will be offset by higher food costs.
- ✦ Unemployment will creep up slightly, from the current 5-1/2 percent, to around 6 percent by 1997.
- ✦ Personal income growth will slow to slightly under 5 percent over the next two years.
- ✦ Investment growth is expected to moderate, although it will continue to outpace overall GDP. This category of GDP will be the most affected by the comprehensive revision, due to changes in computer valuation.
- ✦ Federal government purchases—excluding transfer payments—will continue to decline through the forecast period. Downsizing in the defense area will slow from the pace of recent years, while cutbacks in nondefense spending accelerate.

MAJOR OVERHAUL OF NATIONAL INCOME AND PRODUCT ACCOUNTS

The U.S. Bureau of Economic Analysis (BEA) has undertaken a comprehensive revision in nation's

measures of economic performance. The revised estimates include definitional and statistical changes, as well as the incorporation of new data—1987 benchmark input-output tables, 1992 Economic Census data, and survey data from 1993 and 1994. However, the most dramatic changes are in the featured measures of real economic output and price changes. Since the new data was not released prior to budget preparation, they could not be incorporated in the economic forecast presented here.

BEA now features measures of real gross domestic output (GDP) and prices calculated using "chain-type annual-weighted" indexes, rather than the traditional "fixed-weight" measure. This change was undertaken to eliminate the substitution bias inherent in the old system. As prices change, consumers and businesses shift to cheaper products, but the "fixed-weight" method weighted these purchases based on the old, higher-priced goods they replaced. This created the greatest distortion for products with large price changes, such as computers. Real growth in business equipment and household durables was exaggerated by massive investment in computers which was valued at 1987 prices.

The new measures are expected to subtract one-half percentage point from reported real growth and to increase GDP inflation estimates by about the same amount. However, this merely reflects a change in the methodology for estimating real growth and does not alter the outlook for the California economy.

THE CALIFORNIA ECONOMY

California's recovery is gaining momentum with 300,000 new jobs added over the last year. Job gains are evident across a broad spectrum

of the economy, including many high-wage, high-skill industries. The state's traditional strength in technological innovation is making it the focal point for dynamic emerging industries. Extension of trends evident over the last year create a very positive outlook for California's economy.

Solid growth. The pace of job creation in 1995—2.5 percent—was the fastest since 1989, with growth surpassing the nation as a whole. Employment reports indicate these gains are being driven by strong advances in international trade, entertainment and tourism, and professional services. The importance of many of these new jobs is enhanced by their high average wage levels.

Motion picture production, computer programming and related services, electronic components, and capital goods manufacturing are examples of expanding industries in which wages average in excess of \$50,000 per year. Other high-wage growth areas include engineering and management consulting, health care services, wholesale trade, heavy construction, nonresidential contractors, plumbing and electrical firms, and advertising.

International trade has also been an area of tremendous strength. Exports through California ports were up nearly 20 percent for the first half of the year. Growth in the state's leading exports of electronic components and computers aided the turn-around in electronics manufacturing employment last year. Wholesale trade and transportation job gains were also tied in part to booming foreign trade.

Much of the employment growth during the economic upswing has been driven by new, fast-growing small firms. This is clear from

differences between official employment data prepared by the California Employment Development Department (EDD) for the U.S. Bureau of Labor Statistics (BLS) and unofficial, interim employment estimates based upon employer payroll data. Official EDD/BLS jobs data comes from a monthly survey of well-established employers. Employment gains at small firms are less likely to be picked up and new firms cannot be captured at all. For this

FIGURE ECON-B

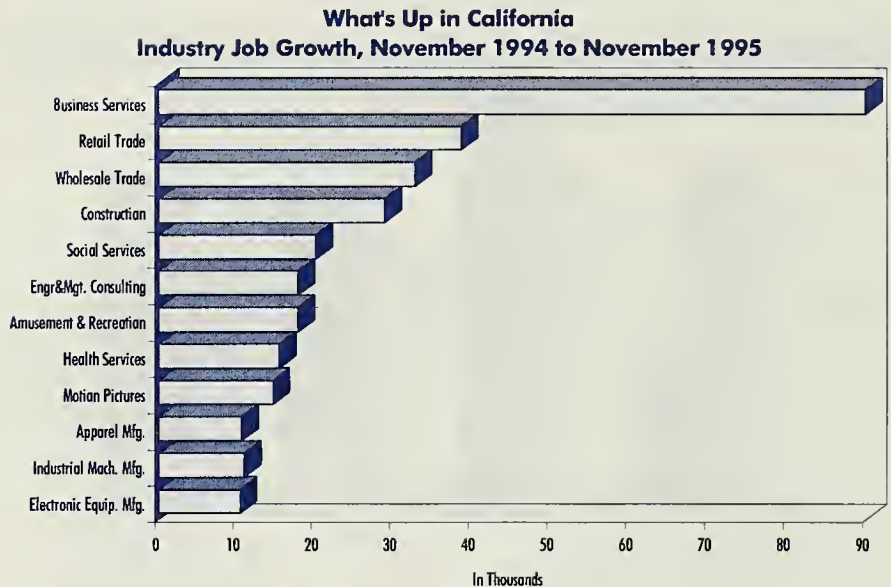
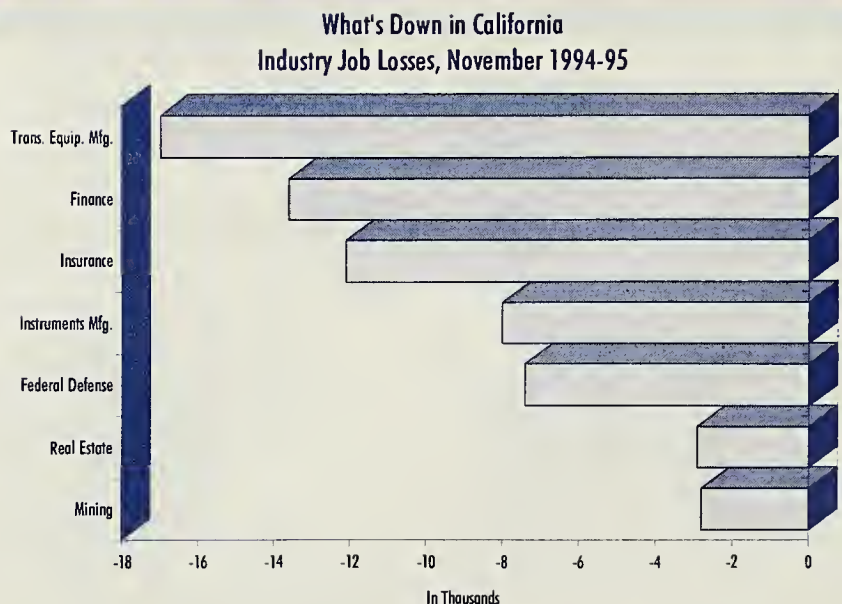


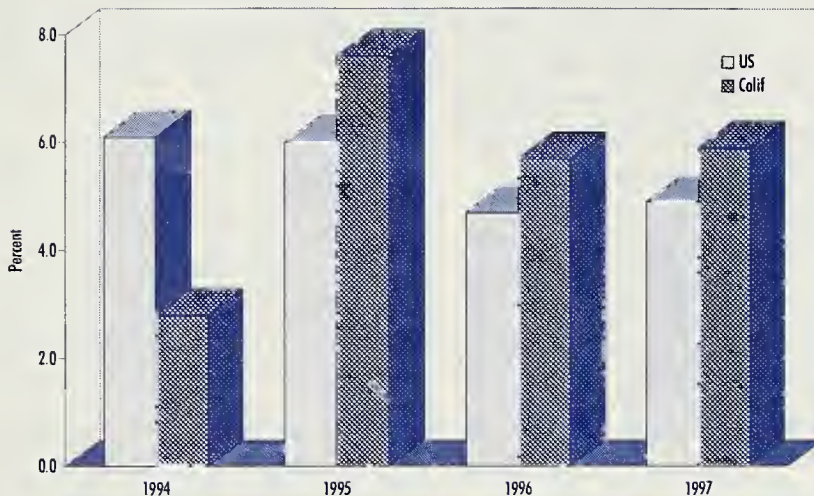
FIGURE ECON-C



reason, an alternate estimate of jobs is prepared by EDD, which ties to the most recent payroll reports filed by all employers. Differences between these two data series suggest that 60 percent of the job gains are occurring at firms outside the population of older, larger businesses that are surveyed monthly.

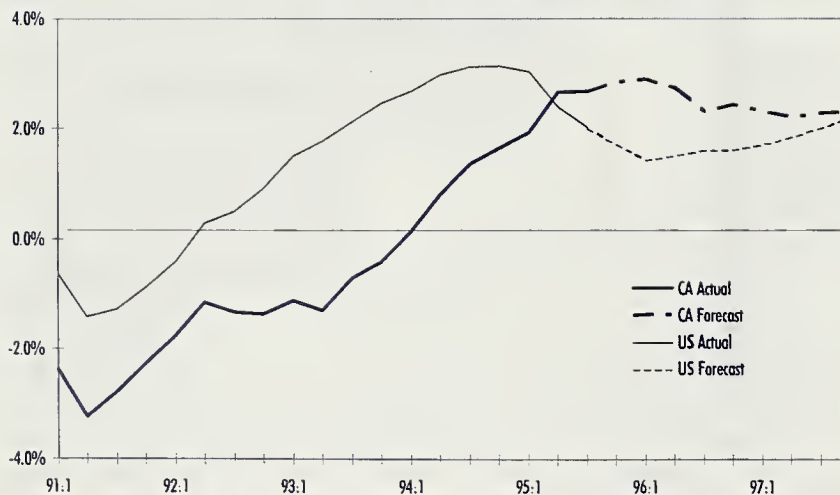
FIGURE ECON-D

Personal Income Growth



Note: California 1994 and 1995 distorted by Northridge earthquake and tax-related income shift.

FIGURE ECON-E

Nonfarm Employment, US and California
Year-to-Year Percent Change

However, not all sectors are yet showing recovery. Aerospace and defense job losses continued, but at a slower rate. The entire financial sector is in a major restructuring, with job losses in deposit and non-deposit financial institutions, insurance carriers and real estate agents.

Housing, too, remains weak. Permits for new housing units totaled fewer than 90,000 units for the year. This is about one-third the level seen in the late 1980s. Existing home sales were below year-earlier levels. Continuing home price declines have limited trade-ups by reducing or eliminating homeowner's equity. Foreclosures, a lagging indicator, remained at high levels, putting further downward pressure on prices. Demographic factors—a smaller young adult population and domestic out-migration over the course of the recession—plus falling prices suggest that recovery in homebuilding will be slow.

Personal income growth of 7.6 percent for 1995 was distorted by two anomalies. First, the Northridge earthquake in 1994 caused an abnormally low period for comparison. Also, promises of federal tax cuts apparently led taxpayers to shift \$3 billion to \$4 billion in income (bonuses and stock options) from late 1994 into early 1995. Thus, 1995 income was artificially boosted and the growth rate was enhanced by comparison with an unusually weak year. Once these one-time factors are subtracted, the underlying growth is 5.7 percent—still the largest gain in the last five years.

Retail sales advanced consistently at roughly a 5-percent rate throughout the year, with long-lasting durable goods setting the pace. Car and light truck sales were up in California, compared to declining sales

nationally. Substantial gains in home computer sales are continuing and will be a plus for one of the state's major industries.

Price increases remained contained in 1995. The Consumer Price Index for California rose only 1.8 percent—the second year in a row of increases below 2 percent.

California forecast highlights.

Solid gains in employment and income will continue for the next two years, with inflation remaining well below the national average.

Overall, nonfarm employment growth should continue at near a 2-1/2-percent pace for the next two years. Employment will regain the pre-recession peak level in the first half of 1996.

The state should continue to see growth in well-paid, high-technology services, including motion pictures, computer systems and software, much of it driven by the emerging multimedia industry.

Job losses in aerospace are expected to gradually diminish. Commercial aircraft orders are on the rise, and the C-17 military transport contract will boost jobs in California. However, growth in electronics manufacturing may level off late next year and in 1997.

Restructuring in the financial services sector will gradually abate over the next two years, removing a drag on the state's economy.

Unemployment should gradually decline, and by 1997 the state's jobless rate should be less than 1 percentage point above the national average—about the norm for the post-World War II era.

Personal income growth is expected to strengthen from the underlying 5-1/2 percent rate in 1995 to near 6 percent by 1997.

The forecast includes only a modest uptick in homebuilding activity from 88,000 units last year to 113,000 units in 1996 and

133,000 in 1997. Given job growth and lower interest rates, there is upside potential in the housing outlook, although demographics and weak prices will serve to dampen gains.

TABLE ECON-1

Selected Economic Data for 1995, 1996 and 1997

| United States | 1995 | 1996 | 1997 |
|---|---------|---------|---------|
| Real gross domestic product, (1987 Dollar) (Percent change) | 3.3 | 2.5 | 2.6 |
| Personal consumption expenditures | 2.9 | 2.6 | 2.4 |
| Gross private domestic investment | 8.7 | 3.3 | 5.0 |
| Government purchases of goods and services | -0.1 | -0.4 | 0.3 |
| GDP Deflator (1987=100) (Percent change) | 1.8 | 2.0 | 2.5 |
| GDP, (Current dollar) (Percent change) | 5.1 | 4.5 | 5.1 |
| Federal Funds Rate (Percent) | 5.8 | 5.3 | 5.5 |
| Personal income (Percent change) | 6.0 | 4.7 | 4.9 |
| Corporate profits before taxes (Percent change) | 8.8 | 5.0 | 5.8 |
| Nonfarm Wage and salary employment (Millions) | 116.6 | 118.5 | 120.9 |
| (Percent change) | 2.3 | 1.6 | 2.1 |
| Unemployment rate (Percent) | 5.6 | 5.8 | 6.0 |
| Housing starts (Thousands) | 1,346.0 | 1,416.3 | 1,343.8 |
| (Percent change) | -7.0 | 5.2 | -5.1 |
| New car sales (Millions) | 9.0 | 8.9 | 8.7 |
| (Percent change) | -3.0 | -0.3 | -2.2 |
| Consumer Price Index (1982-84=100) | 152.5 | 156.8 | 161.8 |
| (Percent change) | 2.9 | 2.8 | 3.2 |
| California | | | |
| Civilian labor force (Thousands) | 15,444 | 15,787 | 16,087 |
| (Percent change) | -0.2 | 2.2 | 1.9 |
| Civilian employment (Thousands) | 14,244 | 14,637 | 14,974 |
| (Percent change) | 0.7 | 2.8 | 2.3 |
| Unemployment (Thousands) | 1,200 | 1,150 | 1,113 |
| (Percent change) | -9.8 | -4.1 | -3.2 |
| Unemployment rate (Percent) | 7.8 | 7.3 | 6.9 |
| Nonfarm Wage and salary employment (Thousands) | 12,471 | 12,790 | 13,085 |
| (Percent change) | 2.5 | 2.6 | 2.3 |
| Personal income (Billions) | \$755.9 | \$798.6 | \$845.7 |
| (Percent change) | 7.6 | 5.7 | 5.9 |
| Housing units authorized (Thousands) | 88 | 113 | 133 |
| (Percent change) | -8.5 | 27.2 | 18.4 |
| Corporate profits before taxes (Billions) | \$64.3 | \$69.3 | \$72.8 |
| (Percent change) | 8.9 | 7.8 | 5.1 |
| New auto registrations (Thousands) | 1,321 | 1,354 | 1,379 |
| (Percent change) | -1.9 | 2.5 | 1.8 |
| Total taxable sales (Billions) | \$300.9 | \$317.1 | \$332.7 |
| (Percent change) | 5.2 | 5.4 | 4.9 |
| Consumer Price Index (1982-84=100) | 154.3 | 157.8 | 161.9 |
| (Percent change) | 1.8 | 2.3 | 2.6 |

Note: Percentage changes calculated from unrounded data.

Revenue Estimates

The growth in General Fund revenue over the past year has been a clear indicator that economic recovery is well underway for California, as collections have consistently exceeded previous expectations.

By the end of the 1994-95 fiscal year, revenues totaled \$42.7 billion, which is \$2.7 billion above the 1993-94 actual collections. Revenue for the current and budget years is forecast at \$45.0 billion and \$45.6 billion, respectively, representing annual growth of \$2.3 billion (5.3 percent) for 1995-96 and \$0.6 billion (1.3 percent) for 1996-97. This includes the effect of the expiration of the top personal income tax brackets on January 1, 1996, as well as the impact of the manufacturers investment credit. Combined, these provisions are estimated to reduce taxes for California taxpayers by \$0.8 billion during 1995-96 and by \$1.3 billion during 1996-97. Adjusting for these two tax reductions, in addition to the tax reduction proposals noted below, base revenue growth is estimated to be up 6.8 percent and 3.5 percent, respectively, over the two years.

Key to California's business climate and competitiveness is a continued effort for tax reform to help ensure that economic recovery strengthens. Equally important, is to send a signal to businesses, working families, and investors that California's future tax environment will be more friendly. As part of that commitment, the Governor's Budget proposes a 15-percent reduction in the personal income tax and bank and corporation tax rates in effect in 1996, to be phased in over a three-year period beginning in 1997. For both taxes, the rates would be reduced by 5 percent in 1997, 10 percent in 1998, and 15 percent in subsequent years from the 1996 rates. When fully implemented, California's top marginal personal income tax rate as well as the bank and corporation tax rate would be reduced from 9.3 percent to 7.91 percent. The Governor's Budget also proposes to reduce the tax rate companies pay on annuity premiums from 2.35 percent to 0.5 percent, to be phased in over a three-year period beginning in 1997. It is also proposed that a limited capital loss deduction be allowed for first-time homebuyers, that the credit for research and development be increased from

8 percent to 12 percent of qualified expenses, and that the basic research credit be increased from 12 percent to 24 percent.

In addition, the Governor's Budget proposes a variety of tax reduction issues which were considered by the Legislature last year, but packaged in an attempt to leverage tax increases on the backs of worthy tax reforms, which could not be supported. These tax reduction provisions include:

- Enhancing the manufacturers' investment credit and net operating loss carryover for specified biopharmaceutical activities;
- Expanding the existing manufacturers' investment credit by allowing semiconductor equipment manufacturers to claim the credit on their special purpose building and foundations;
- Increasing the small business expensing deduction amount from \$10,000 to \$17,500;
- Eliminating the foreign payroll factor computation, thus permitting a 75-percent dividend

deduction regardless of fluctuations in foreign payroll;

- ✦ Providing a sales tax exemption for certain aircraft parts purchased for the maintenance, repair, overhaul, or improvement of the aircraft in compliance with Federal Aviation Administration requirements; and
- ✦ Enhancing enterprise zones for aerospace workers.

Combined, these tax reduction proposals are estimated to reduce taxes by \$0.6 billion during 1996-97, \$2.0 billion during 1997-98, \$3.5 billion during 1998-99 and \$4.7 billion during 1999-00, for a combined four-year tax reduction of \$10.8 billion.

The Governor's Budget also includes proposals to allow state income tax filers to direct that one percent of their total individual state income tax liability be returned to their communities for local law enforcement and to redirect specific fines and penalties revenues from the General Fund to the Trial Court Trust Fund for the funding of the Trial Courts. These policy proposals are discussed in the section entitled *State and Local Alliance for Public Safety*.

Chapter 383, Statutes of 1994, (SB 1837) provided for a significant change in revenue analyses. This law requires the Department of Finance, and in budget-related matters the Legislative Analyst, to prepare dynamic revenue estimates. To meet the requirements of that legislation, the Department of Finance has constructed a computable general equilibrium model (CGE) of the California economy in order to perform dynamic analysis of revenue bills. The model, which includes 28 industrial sectors, 13 government sectors, 8 household sectors and over 1,000 non-linear equations, is among the largest and most detailed of its kind. The Department of Agricultural and Resource Economics at the University of California, Berkeley is collaborating in the development of the model, providing theoretical guidance and research support to the project. Initially, the Department's capabilities will be limited, as the model will require further development and refinement. However, the Department anticipates performing dynamic analysis on selected major revenue bills this year as a supplement to its traditional fiscal analysis.

Table REV-1 provides a summary of the forecast and preliminary collections in 1994-95.

Overall, General Fund revenues and transfers represent about 77 percent of total revenues. The remaining 23 percent are special funds, dedicated to specific programs. The three largest revenue sources (personal income, sales, and bank and corporation) account for 72 percent of total revenues.

PERSONAL INCOME TAX - \$20,583,000,000

Overall, personal income tax revenues are expected to increase by 9.3 percent for the current year and 1.8 percent for the budget year. The estimate includes the impact of the top personal income tax rates expiring at the end of the 1995 tax year, returning the top marginal state income tax rate to 9.3 percent, and reducing state taxes for higher income taxpayers by almost \$800 million for the 1996 tax year. The estimate also includes the first-year impact of the Governor's proposal to reduce tax rates for all taxpayers by 5 percent in 1997, 10 percent in 1998, and 15 percent in subsequent years from their 1996 rates. In addition, the Governor's proposals for small business expensing and principal residence capital loss deductions have been included. Excluding the above-mentioned tax law changes, base revenue growth for 1994-95 was up 4.3 percent and is estimated to increase by 11.0 percent and 6.0 percent for 1995-96 and 1996-97, respectively, reflecting the improved economy.

The California personal income tax, which contributes approximately 45 percent of all General Fund revenues, is closely modeled after the federal income tax law. It is imposed on net taxable income; that is, gross income less exclusions and deductions. The tax is progressive with rates ranging from 1.0 to 9.3 percent. Personal, dependent,

TABLE REV-1

General Fund Revenue (Dollars in Millions)

| | 1994-95 Preliminary | 1995-96 Forecast | 1996-97 Forecast |
|--------------------------------|------------------------|---------------------|---------------------|
| Personal Income Tax | \$18,500 | \$20,220 | \$20,583 |
| Sales and Use Tax | 14,630 | 15,545 | 16,275 |
| Bank and Corporation Tax | 5,708 | 5,680 | 5,620 |
| All other | 3,872 | 3,546 | 3,093 |
| Totals, revenues and transfers | \$42,710 | \$44,991 | \$45,571 |
| Annual percent change | | 5.34% | 1.29% |

and other credits are allowed against the gross tax liability.

In addition, taxpayers may be subject to an alternative minimum tax (AMT), which is much like the federal AMT. This feature is designed to ensure that excessive use of tax preferences does not reduce taxpayers' liabilities below some minimum level. Effective January 1, 1996 the AMT is equal to 7.0 percent of the alternative minimum taxable income that exceeds an exemption amount.

The personal income tax is adjusted annually by the change in the consumer price index to prevent taxpayers from being pushed into higher tax brackets without a real increase in income.

The difficulty of forecasting personal income tax receipts is enhanced by the progressive nature of the tax. One dollar of income on a high-income tax return can generate nine times the revenue from a dollar on a low-income return. In addition,

very high-income taxpayers usually have a great deal of discretion over the realization of income and the timing of deductions. Thus, substantial changes in the portfolios or tax planning of relatively few taxpayers can have a dramatic impact on state revenues. In 1993, for example, the top 4.7 percent of state taxpayers, those with adjusted gross incomes of over \$100,000, paid 53.3 percent of the personal income tax.

Even more important to recognize when considering the progressivity of the tax is the fact that lower income taxpayers, those with adjusted gross incomes of less than \$20,000, paid only 1.5 percent of the personal income tax in 1993, yet represented 45 percent of all California taxpayers. This result is demonstrated in Figure REV-A, which displays the percent of total returns and tax paid by adjusted gross income class. These statistics do not take into account the number of residents who were not required to file tax returns because their adjusted gross income was below the

threshold amount of \$6,000 (single) or \$12,000 (married).

Personal income tax revenue forecasting has also been greatly complicated by federal and state tax changes which made capital gains fully taxable. Capital gains have always been an extremely volatile revenue source; holders of capital assets are predominantly very high-income taxpayers, subject to the maximum tax rate, who can time the realization of gains and, the payment of tax to their own advantage.

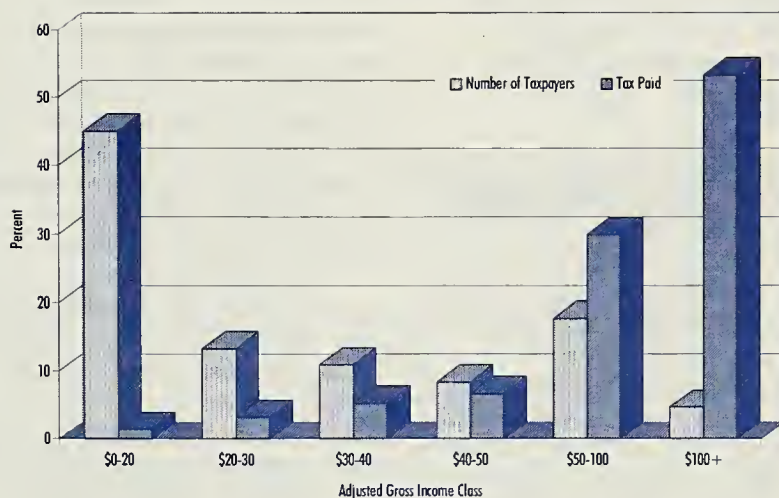
The income component of the economic forecast forms the basis for the personal income tax forecast. Capital gains income, which is not part of the national income accounts, is forecast separately by using general economic activity and stock market trends. Real estate activity in the state is also used as a guide.

Personal income tax base revenues have been abnormally weak since 1989-90. Revenues actually declined by \$54 million in 1990-91 from the year-earlier level. Base revenues continued to decline until 1992-93 when there was a modest growth of 1.5 percent. Not until 1994-95 did personal income tax base revenue growth exceed 2 percent. This is largely a reflection of the depressed economic conditions. Layoffs, wage cuts, interest income declines, and asset deflation have all depressed receipts during this period. Base revenues were up 4.3 percent in 1994-95 from the prior year, reflecting the improved business climate and subsequent job growth in the economy.

Preliminary data for 1994 indicate that capital gains increased approximately 1.4 percent from the 1993 tax year. It is likely, however, that this growth was dampened as a result of taxpayer behavior in

FIGURE REV-A

Percent of Total California Taxpayer and State
Tax Paid by Adjusted Gross Income Class, 1993 Data
(Dollars in Thousands)



anticipation of federal tax reform. In addition to any delayed capital gains from 1994, the securities market has been especially strong in 1995 with the stock market rising over 30 percent alone. This strong market performance should be reflected in the value of mutual fund shares. Mutual fund shares generally post any profits in December and these holders are required to make tax payments on these distributed profits. The increase in capital gains realizations for the 1995 tax year is assumed to be slightly over 20 percent. The base revenue attributable to capital gains in 1994 was approximately \$1.979 billion, and the growth in 1995 is estimated to add an additional \$415 million in revenue, assuming a 9.3-percent marginal tax rate. Moderate growth is assumed for future years; however, this remains an area of uncertainty, and no allowance has been made for the enactment of pending federal tax legislation. Table REV-2 shows the 1995 growth in the securities market as of December 7, 1995.

Forecast revenues for the current and budget years, compared with preliminary collections in 1994-95, are:

(Dollars in Millions)

| | |
|-----------------------|----------|
| 1994-95 (Preliminary) | \$18,500 |
| 1995-96 (Forecast) | 20,220 |
| 1996-97 (Forecast) | 20,583 |

SALES TAX - \$16,275,000,000

The sales tax is imposed upon retailers for the privilege of selling tangible personal property in California. Most retail sales and leases are subject to the tax. However, exemptions have been provided for certain essentials such as food for home consumption, prescription drugs, electricity, and gas delivered through mains, thereby making the tax relatively progressive. In addition, other exemptions provide relief for a variety of sales ranging from custom computer programs to returnable containers.

The breakdown of the 7.25-percent rate that is currently imposed on a statewide basis is as follows:

- 5.00-percent tax rate (General Fund)—Pursuant to Chapter 117, Statutes of 1991, this rate could be reduced by 0.25 percent beginning each January 1, if specified conditions are met. This 0.25-percent rate could be subsequently reinstated if it is determined that the special fund for economic uncertainties will not exceed 4.00 percent of General Fund revenues.

- 0.50-percent tax rate (Local Revenue Fund)—Revenue from this tax is dedicated to local governments to fund program realignment.

- 0.50-percent tax rate (Local Public Safety Fund)—Chapter 73, Statutes of 1993, included a temporary 0.50-percent tax to replace the General Fund 0.50 percent share that expired on July 1, 1993. This tax was dedicated to the Local Public Safety Fund for public safety services, and was in effect from July 1, 1993 through December 31, 1993. On November 2, 1993, the voters approved a Constitutional amendment to extend this tax indefinitely.

- 1.25-percent local tax rate—This tax is imposed by cities and counties pursuant to the Uniform Local Sales and Use Tax Law. Of the 1.25-percent rate, 0.25 percent is dedicated for county transportation purposes and 1.00 percent is for city and county general purpose use.

In addition to the above, the Transactions and Use Tax Law authorizes local governments to impose transactions (sales) and use taxes for general-purpose as well as special-purpose use, subject to voter approval. The combined transactions and use tax rate may generally be imposed in one-quarter-percent increments for most counties and is limited to 1.50 percent. San Mateo and San Francisco Counties are authorized to impose a rate of 0.50 and 0.25 percent, respectively, above that limit, and San Diego is currently restricted to a 1.00-percent combined rate. Thus, with the noted exceptions, the maximum combined state and local tax rate is currently limited to 8.75 percent.

Currently, two counties may impose transactions and use taxes at increments other than 0.25 percent. Chapter 244, Statutes of 1994, authorized Stanislaus County, and Chapter 895, Statutes of 1995, authorized San Joaquin County to

TABLE REV-2

| Index | 12-Month High | 12-Month Low | From 12/31/94 | PCT |
|--------------|---------------|--------------|---------------|-------|
| DJIA | 5199.13 | 3685.73 | 1324.95 | 34.55 |
| DJ Equity | 585.77 | 420.11 | 148.9 | 34.38 |
| S & P 500 | 620.18 | 445.45 | 156.9 | 34.16 |
| Nasdaq Comp. | 1069.79 | 719.05 | 301.21 | 40.06 |

impose a transactions and use tax at a rate of one-eighth of one percent for purposes of funding countywide library programs and operations.

Transactions and use tax authority is generally limited to countywide boundaries, with the following exceptions: the City of Calexico may impose a 0.50-percent rate for the purpose of funding the Heffernan Memorial Hospital District, the Fresno Metropolitan Projects Authority, which generally surrounds the City of Fresno, may impose a 0.10-percent rate for the purpose of funding scientific and cultural programs in the Fresno metropolitan area, the City of Lakeport may levy a transactions and use tax rate of 0.25 percent, or any multiple thereof up to 1.0 percent for streets and roads, the cities of Clearlake and Fort Bragg may levy a transactions and use tax rate of 0.25 or 0.50 percent for public safety services, and the Town of Truckee may levy a transactions and use tax rate of 0.50 percent for streets and roads. These locally imposed rates are collected by the state for each local jurisdiction and are not included in the state's revenue totals. A summary of the combined state and local tax rates by county is contained in Table REV-3.

The sales and use tax forecast is prepared by relating taxable sales by type of sale to various economic factors such as disposable personal income, employment, housing starts, new car sales, and inflation. The forecasted growth in annual taxable sales for 1995 is estimated to be 5.2 percent, increasing to 5.4 percent by 1996. A summary of the forecast for taxable sales growth is presented in Table REV-4.

Taxable sales in 1994 grew 5.1 percent compared to 1993, when sales grew only 2.3 percent

TABLE REV-3

Combined State and Local Sales and Use Tax

Rates by County

(Effective January 1, 1996)

| County | Tax Rate | County | Tax Rate | County | Tax Rate |
|------------------------------|----------|-------------------------------|----------|-----------------------|----------|
| Alameda | 8.25% | Madera | 7.75% | San Joaquin | 7.75% |
| Alpine | 7.25% | Marin | 7.25% | San Luis Obispo | 7.25% |
| Amador | 7.25% | Mariposa | 7.25% | San Mateo | 8.25% |
| Butte | 7.25% | Mendocino | 7.25% | Santa Barbara | 7.75% |
| Calaveras | 7.25% | Merced | 7.25% | Santa Clara | 7.75% |
| Colusa | 7.25% | Modoc | 7.25% | Santa Cruz | 8.25% |
| Contra Costa | 8.25% | Mono | 7.25% | Shasta | 7.25% |
| Del Norte | 7.75% | Monterey ^{1/} | 7.25% | Sierra | 7.25% |
| El Dorado | 7.25% | Napa | 7.25% | Siskiyou | 7.25% |
| Fresno ^{2/} | 7.75% | Nevada | 7.25% | Salama | 7.25% |
| Glenn | 7.25% | Orange | 7.75% | Sanama | 7.50% |
| Humboldt | 7.25% | Placer | 7.25% | Stanislaus | 7.38% |
| Imperial ^{3/} | 7.75% | Plumas | 7.25% | Sutter | 7.25% |
| Inyo | 7.75% | Riverside | 7.75% | Tehama | 7.25% |
| Kern | 7.25% | Sacramento | 7.75% | Trinity | 7.75% |
| Kings | 7.25% | San Benito | 8.25% | Tulare | 7.75% |
| Lake | 7.25% | San Bernardino | 7.75% | Tuolumne | 7.25% |
| Lassen | 7.25% | San Diego ^{4/} | 7.75% | Ventura | 7.25% |
| Los Angeles | 8.25% | San Francisco | 8.50% | Yala | 7.25% |
| | | | | Yuba | 7.25% |

^{1/} Temporarily reduced to 6.5% beginning 10/1/94.

^{2/} 7.85% for sales in the Fresno Metropolitan Projects Authority and its "sphere of influence."

^{3/} 8.25% for sales in the City of Calexico (Calexico Heffernan Memorial Hospital District).

^{4/} Temporarily reduced to 7.0% beginning 4/1/94.

TABLE REV-4

Taxable Sales Growth in California

| | 1994 Actual | 1995 Forecast | 1996 Forecast | 1997 Forecast |
|----------------------------|----------------|------------------|------------------|------------------|
| Motor Vehicles | 7.49% | 6.08% | 6.72% | 5.26% |
| Fuel | 0.32% | 1.60% | 0.86% | 4.85% |
| Building Materials | 6.97% | 2.10% | 6.24% | 5.96% |
| Manufacturing and Services | 6.34% | 8.22% | 4.10% | 4.49% |
| All other Retail Sales | 4.23% | 4.90% | 5.91% | 4.87% |
| Total Taxable Sales | 5.09% | 5.22% | 5.35% | 4.94% |

after adjusting for the 1992 base changes. While detail for the third quarter is not yet available, based on cash receipts, sales appear to have risen 5.7 percent from the prior year. Based on the first prepayment for the fourth quarter of 1995, it is estimated that fourth-quarter sales will be up 4.7 percent from the prior year. Adjusting for inflation,

the fourth quarter is estimated to grow 3.0 percent from the prior year. Figure REV-B illustrates the actual and estimated quarterly growth in California taxable sales.

Chapter 881, Statutes of 1993, (SB 671) provided a sales tax exemption for new firms or a credit for existing firms' purchases of

manufacturing equipment. Prior to the credit, and since 1989, these sales were essentially flat or declining. Since the credit has been in effect, the manufacturing component has averaged four percent growth. Manufacturing, together with services, comprised almost

20 percent of all taxable sales for 1994 (see Figure REV-C).

Other adjustments to revenues include the following:

In June of 1990, the California Court of Appeals ruled that direct

overhead items purchased under U.S. government cost reimbursement contracts are not taxable. As a result, the state has issued some refunds and is continuing to resolve the remaining cases. The estimate assumes that \$55 million and \$50 million will be refunded during the current and budget years, respectively.

Current law specifies that certain state revenues from the sales tax on gasoline and diesel fuel sales be transferred to the Transportation, Planning and Development Account. The combined transfer to this Account during 1995-96 is estimated to be \$168 million, increasing to \$175 million during 1996-97.

The Governor's Budget proposes to exempt property that becomes a component part of an exempt aircraft as a result of maintenance, repair, overhaul, or improvement of the aircraft. This is expected to result in a General Fund loss of \$4.5 million in sales and use tax revenues in the budget year.

Revenues from state-imposed sales tax revenues are delineated in Table REV-5. General Fund revenues for the current and budget years, compared with preliminary collections in 1994-95, are:

(Dollars in Millions)

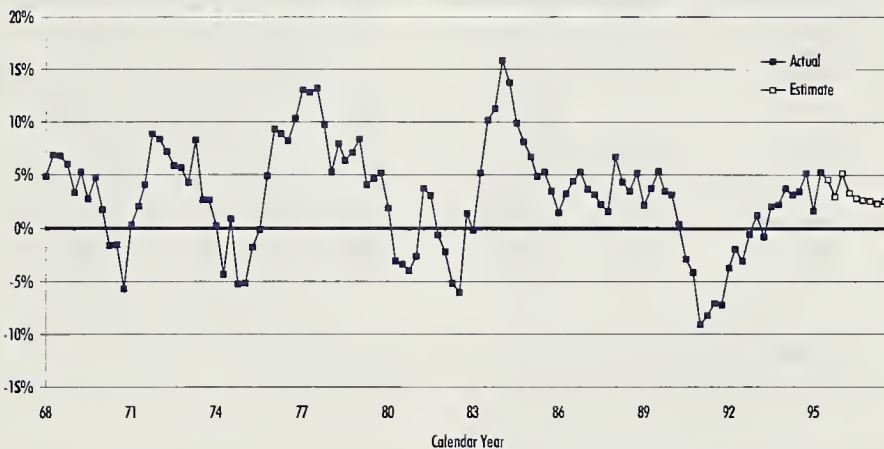
| | |
|-----------------------|----------|
| 1994-95 (Preliminary) | \$14,630 |
| 1995-96 (Forecast) | 15,545 |
| 1996-97 (Forecast) | 16,275 |

BANK & CORPORATION TAX -
\$5,620,000,000

Budget year revenues have been reduced by \$110 million to reflect the Governor's tax reform proposals, which include a proposed tax rate reduction for income years

FIGURE REV-B

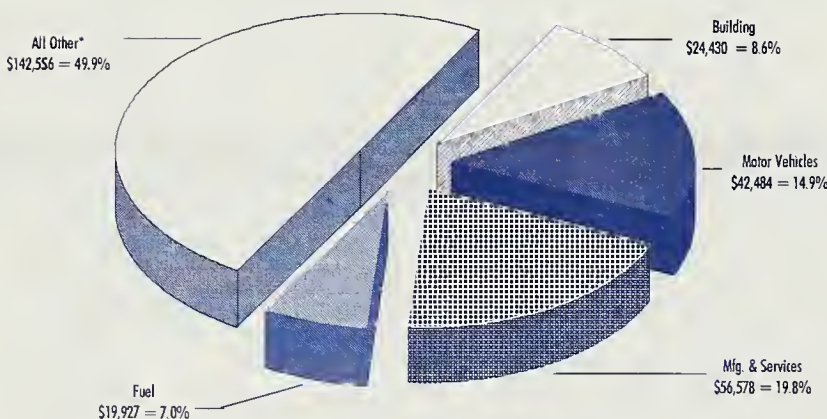
Taxable Sales in California^{a/}
(Annual Percent Change in Constant Dollars)



^{a/}Includes the impact of expanding the tax base to include candy, snack foods and bottled water from July 15, 1991 through November 30, 1992.

FIGURE REV-C

1994 Taxable Sales by Major Components
(Dollars in Billions)



* Includes furniture, apparel, general merchandise, and eating & drinking establishments

TABLE REV-5

Sales Tax Revenue
(Dollars in Thousands)

| | 1994-95 Preliminary | 1995-96 Forecast | 1996-97 Forecast |
|--|------------------------|---------------------|---------------------|
| General Fund | \$14,629,608 | \$15,545,000 | \$16,275,000 |
| Local Revenue Fund | 1,491,800 | 1,593,300 | 1,662,300 |
| Transportation, Planning, and Development Account | 160,646 | 168,366 | 175,218 |
| Disaster Relief Fund | 1,898 | 151 | 0 |
| Total | \$16,283,952 | \$17,306,817 | \$18,112,518 |

beginning on and after January 1, 1997. The 9.3-percent tax rate would be reduced to 8.84 percent in 1997, 8.37 percent in 1998, and 7.91 percent in 1999. This is estimated to reduce General Fund revenue by \$90 million in 1996-97. Also included as part of tax reform are the impacts of increasing the research and development credit, simplifying the computation for foreign source dividend deductions, and modifications to the Manufacturers' Investment Credit as well as to the enterprise zone hiring credit as it pertains to aerospace employees. Adjusting for these and miscellaneous other factors including the impact of the manufacturers' investment credit, base revenue growth for 1994-95 was up 22.8 percent and is estimated to increase by 7.1 percent and 5.7 percent for 1995-96 and 1996-97, respectively.

Bank and corporation tax revenues are actually derived from four taxes:

- ✦ The franchise tax and the corporate income tax are levied at a 9.3 percent rate on profits. The former is imposed on corporations for the privilege of doing business in California, while the latter is imposed on corporations that do not do business in the State but

derive income from California sources. These are primarily firms engaged wholly in interstate commerce and holding companies. Corporations that qualify for Sub-Chapter S status are taxed at a 1.5 percent rate. California Sub-Chapter S provisions are similar to federal law.

- ✦ Banks and other financial corporations pay an additional tax (i.e., "Bank Tax") on their net income. This tax is in lieu of personal property taxes and business license taxes. The current rate for this tax is two percent. The bank tax is in addition to the franchise tax.

- ✦ The alternate minimum tax is similar to that in federal law. This tax is imposed at a rate of seven percent beginning with the 1988 tax year. In prior years, California imposed a tax on preference income.

- ✦ A minimum franchise tax of \$800 is imposed on corporations subject to the franchise tax but not on those subject to the income tax.

Since the tax is a function of corporate profits, the relationship of California profits to the national

corporate profits is important. However, the relationship is not precise because business activity in California may differ from that of the nation. Also, state tax law defines profits differently than standard business accounting, and national profits, as represented by the economic forecast, are the net of all gains and losses whereas only gains are taxed. The preparation of the forecast involves consideration of the trend in non-corporate business income, California employment, and recent actual cash experience. Non-corporate business income is available for California whereas corporate profit data are not. The forecast reflects the economic recovery and recent legislation.

A current law factor which significantly impacts the forecast is the Manufacturers' Investment Credit, which was enacted in 1993. The first full impact of the credit will be in 1995-96. (This credit applies to investments made on or after January 1, 1994, but could not be claimed until the taxable or income year beginning in 1995.) Other factors that impact the forecast include net operating loss carry forwards, Sub-Chapter S provisions, and the research tax credit.

Significant legislation enacted during 1995 included Chapter 679 (SB 513) (establishment of limited liability partnerships), Chapter 2 (SB 13) (clarifying measure for limited liability companies), Chapter 845 (SB 633) (charges and penalties for tax fraud), Chapter 494 (SB 712) (enterprise zone implementation cleanup), Chapter 490 (SB 887) (tax administration provisions on the water's edge group, reporting requirements and penalties, and modifications and deletion of the sunset date for relief provisions on perfecting elections and waiving of penalties.)

Chapter 881, Statutes of 1993, (SB 671) eliminated the fees paid into the Unitary Fund by international corporations electing to base their profits on their U.S. (water's edge) rather than worldwide operations. This forecast assumes that the Unitary Fund will collect \$1 million in 1995-96 and \$500,000 in 1996-97 from audit activity and miscellaneous cleanup.

General Fund forecast revenues for the current and budget years, compared to preliminary collections in 1994-95, are:

(Dollars in Millions)

| | |
|-----------------------|---------|
| 1994-95 (Preliminary) | \$5,708 |
| 1995-96 (Forecast) | 5,680 |
| 1996-97 (Forecast) | 5,620 |

INSURANCE TAX - \$1,120,000,000

The majority of insurance written in California is subject to a 2.35-percent gross premiums tax. This premium tax takes the place of all other state and local taxes except those on real property and motor vehicles. The basis of the tax is the amount of "gross premiums" received, less return premiums, upon business done in the state, with some exceptions. Insurers transacting title insurance are taxed upon all income received in this state with the exception of interest, dividends, rents from real property, profits from the sale or disposition of investments and income arising out of investments. Ocean marine insurers are taxed upon underwriting profits at a 5-percent rate. Other exceptions to the 2.35-percent rate include certain pension and profit-sharing plans, including qualified annuities, which are taxed at the lesser rate of 0.5 percent; surplus

lines and nonadmitted insurance are taxed at 3 percent.

An annual survey conducted by the Department of Finance is used to project insurance premium growth. Responses are obtained from about 300 insurance companies, accounting for over two-thirds of the insurance written in California.

Figure REV-D illustrates the proportion of premiums by insurance type, from which the revenue is derived. For 1994, \$53.5 billion in taxable premiums were reported. Whereas the results of the 1994 survey had predicted growth of 2.8 percent in 1995, the most recent survey indicates that taxable premiums will decline by 2.3 percent in 1995 and increase by 6.5 percent in 1996. The individual line of insurance that experienced the greatest decline between the two surveys was Workers' Compensation.

Figure REV-E illustrates the Workers' Compensation premium decline since July 1993 when reforms were implemented.

The Governor's Budget includes a proposal to reduce the insurance tax rate for non-qualified annuities on premiums written after January 1, 1997. Non-qualified annuities are used as a retirement savings vehicle and are purchased with after-tax dollars. Only nine states and the District of Columbia tax annuity premiums. California has the second highest annuity tax and is the only state to tax qualified and non-qualified annuities at a different rate. As proposed, the current tax rate of 2.35 percent will be reduced to 0.5 percent over a three-year period. Specifically, the rate would be 1.73 percent for 1997, 1.11 percent for 1998 and 0.5 percent thereafter. Revenues are not impacted for 1996-97 because of the structure of the gross premiums tax, since prepayments on gross premiums are calculated based on 25 percent of the prior year tax liability. Thus, the first-year impact will be in 1997-98.

FIGURE REV-D

Insurance Premiums by Category

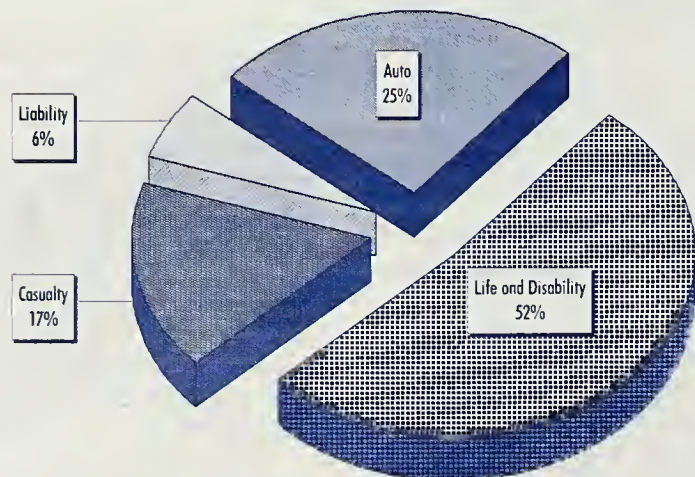
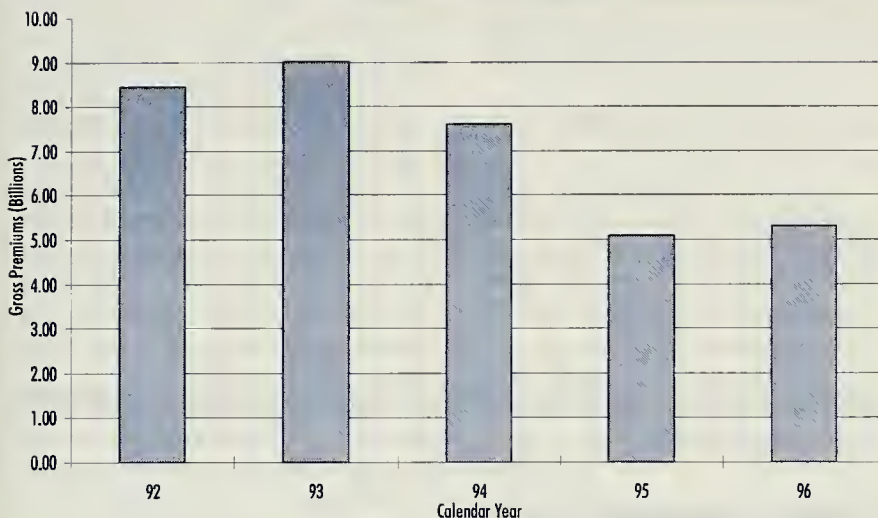


FIGURE REV-E

Workers' Compensation



Forecast revenues for the current and budget years, compared with preliminary collections in 1994-95 are:

(Dollars in Millions)

| | |
|-----------------------|-------|
| 1994-95 (Preliminary) | \$999 |
| 1995-96 (Forecast) | 1,139 |
| 1996-97 (Forecast) | 1,120 |

ESTATE/INHERITANCE/GIFT TAXES -
\$578,000,000

Proposition 6, an initiative measure adopted by the voters in June of 1982, repealed the inheritance and gift taxes and imposed an estate tax designed to pick up the maximum credit allowed against the federal estate tax, otherwise known as the "pick-up tax." The pick-up tax is computed on the basis of the federal "taxable estate" and tax rates range from 0.8 percent to 16 percent. This tax does not increase the liability of the estate due to the fact that it would otherwise be paid to the federal government. The date of death or the date a gift is made determines which tax laws prevail. As a result of Proposition 6, taxes from this source have dropped significantly since enactment.

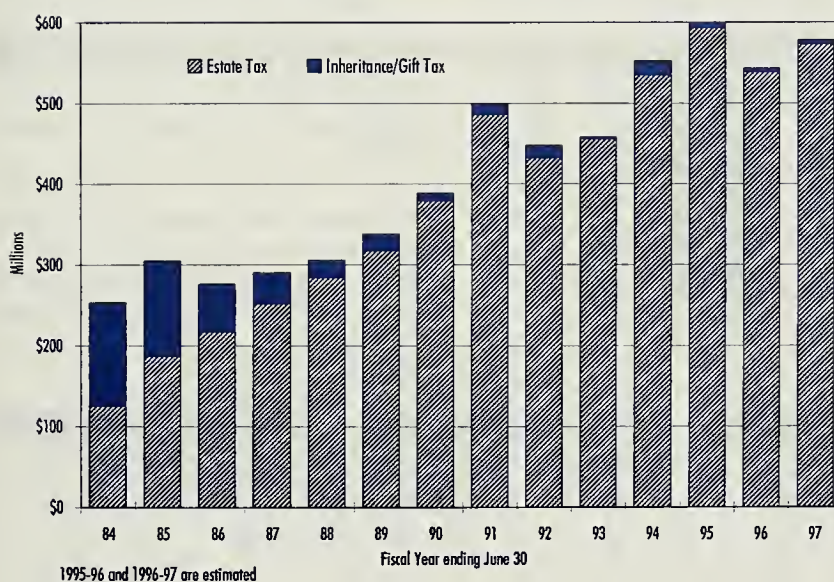
For state tax purposes, the former inheritance and gift taxes apply to deaths and gifts occurring prior to June of 1982, whereas transfers attributable to deaths on or after that date would only be subject to the federal credit. Figure REV-F displays this trend since 1984. Past year preliminary revenues and estimates for the current and budget years are:

(Dollars in Millions)

| | |
|-----------------------|-------|
| 1994-95 (Preliminary) | \$599 |
| 1995-96 (Forecast) | 543 |
| 1996-97 (Forecast) | 578 |

FIGURE REV-F

Estate, Inheritance, and Gift Tax Revenues



ALCOHOLIC BEVERAGE TAXES - \$262,000,000

Taxes on alcoholic beverages are levied on the sale of beer, wine, and distilled spirits. The rates vary with the type of alcoholic beverage. The tax rate per gallon for beer, dry wine, and sweet wine is \$0.20. The tax rates per gallon for sparkling wine and distilled spirits are \$0.30 and \$3.30, respectively.

Total gallons consumed for all types of alcoholic beverages are expected to decline a moderate 1.7 percent in both the current and budget years.

Total alcoholic beverage tax revenues from 1985-86 through 1996-97 are illustrated in Figure REV-G. Past year preliminary revenues and estimates for the current and budget years are shown in Table REV-6.

CIGARETTE TAX - \$162,000,000

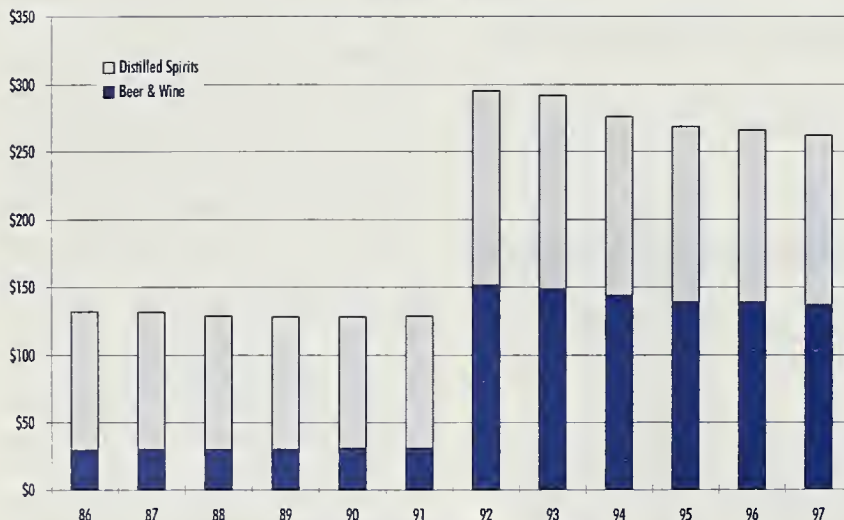
The excise tax imposed on distributors selling cigarettes in California has been 35 cents per package, since January of 1989, as a result of voter approval of Proposition 99. At the same time, an excise tax on cigars, chewing tobacco, pipe tobacco and snuff was implemented at a rate "equivalent" to the tax on

cigarettes. The cigarette tax was increased by two cents per package effective January 1, 1994, with passage of the Breast Cancer Act (Chapter 660, Statutes of 1993). Twenty-five cents of the tax per package of cigarettes, and the equivalent rates levied on non-cigarette tobacco products, are allocated to a special fund for distribution as determined by Proposition 99. Ten cents of the tax per package is allocated to the state's General Fund, with the remaining two cents deposited into the Breast Cancer Fund.

Projections of total and per capita consumption of cigarettes provide the basis for the cigarette tax estimate. The cumulative effect of product price increases, the increasingly restrictive environment for smokers, and state anti-smoking campaigns funded by Proposition 99 revenues have significantly impacted cigarette consumption. Per capita consumption had been declining at an average rate of three percent annually from 1983-84 through 1987-88, and then decreased rapidly with the onset of Proposition 99. During 1989-90, per capita consumption was 123 packs, compared with 90 in 1994-95. This figure equates to a 27 percent decrease in five years. The estimated increase in the smoking-age population will somewhat offset the declining per capita consumption in future years,

FIGURE REV-G

Alcoholic Beverage Tax Revenue
(Dollars in Millions)



Revenues for 1995-96 and 1996-97 are estimated.

TABLE REV-6

Beer, Wine and Distilled Spirits Revenue
(Dollars in Millions)

| | 1994-95 Preliminary | 1995-96 Forecast | 1996-97 Forecast |
|-------------------|------------------------|---------------------|---------------------|
| Beer and Wine | \$139 | \$139 | \$137 |
| Distilled Spirits | 130 | 127 | 125 |
| Total | \$269 | \$266 | \$262 |

TABLE REV-7

Tobacco Tax Revenue
(Dollars in Millions)

| | 1994-95 Preliminary | 1995-96 Forecast | 1996-97 Forecast |
|--------------|------------------------|---------------------|---------------------|
| General Fund | \$174.5 | \$166.4 | \$162.0 |
| Special Fund | 500.2 | 477.6 | 468.1 |
| Total | \$674.7 | \$644.0 | \$630.1 |

resulting in declines in total consumption of approximately two percent in the current and budget years.

Wholesale price data provide the basis for the revenue estimate for other tobacco products. Based on recent consumption patterns, it is estimated that increases of other tobacco products will occur by 14.2 percent in 1995-96 and 8 percent in 1996-97.

Per capita consumption of cigarettes, in packs, from 1982-83 through 1996-97, is illustrated in Figure REV-H. Total tobacco tax revenue estimates are shown in Table REV-7.

HORSE RACING REVENUE - \$67,305,000

Horse racing revenue comes primarily from license fees imposed on amounts wagered by the public. The license fee revenue schedule is

based upon many factors, including the amount wagered, the location of the track, the type of horse racing, the type of wager, and whether or not the wager is made on-track or at a satellite facility. Other revenue sources include breakage (the odd cents not paid to winning ticket holders), unclaimed parimutual tickets, occupational license fees, fines, and penalties.

The public may attend the live meets, or watch and wager at off-track facilities that receive the races televised live via satellite. In addition, out-of-state betting systems include their wagers in the betting pools of races taking place in California, with the state receiving a share of each dollar wagered.

Racing associations and fairs will present over 800 days of racing in 1996, featuring a variety of horse breeds and including harness racing.

Horse racing revenues to the state have declined significantly during the past ten years. The state license fee for off-track wagers is about one-half the license fee for on-track wagers. For the budget year, wagers and license fees are expected to continue declining due to lower overall wagering and continuing shifts from on-track to off-track wagering. Table REV-8 provides information on the distribution of receipts from horse racing.

SPECIAL FUND REVENUE

The California Constitution, codes, and statutes specify the uses of certain revenue. Such receipts are accounted for in various special funds. In general, special fund revenues comprise three categories of income:

- Receipts from tax levies that are allocated to specified functions,

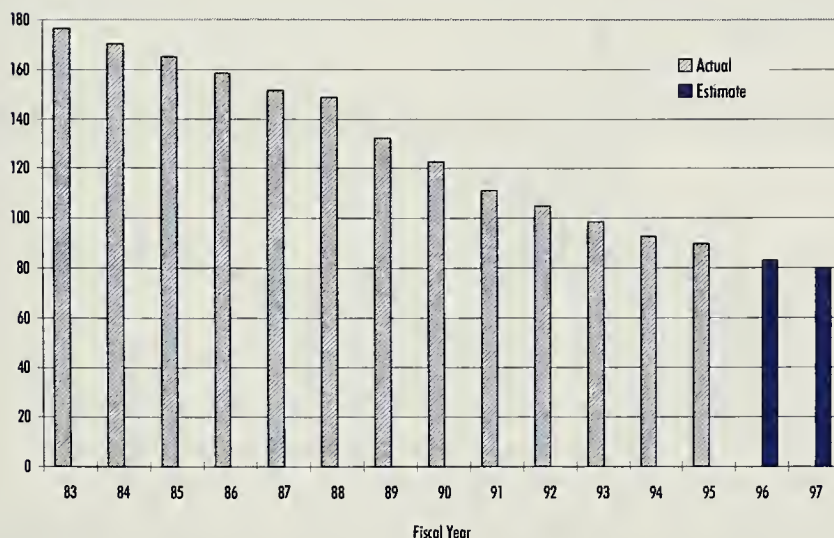
TABLE REV-8

Horse Racing Revenue (In Thousands)

| | 1994-95 Preliminary | 1995-96 Forecast | 1996-97 Forecast |
|----------------------------|------------------------|---------------------|---------------------|
| General Fund | \$71,062 | \$68,505 | \$67,305 |
| Fair & Exposition Fund | 24,244 | 24,704 | 24,400 |
| Satellite Wagering Account | 12,918 | 12,450 | 12,450 |
| Wildlife Restoration Fund | 750 | 750 | 750 |
| Total | \$108,974 | \$106,409 | \$104,905 |

FIGURE REV-H

Cigarette Consumption (Packages per Capita)



such as motor vehicle taxes and fees.

- ✦ Charges for special services to specific functions, including such items as business and professional license fees.
- ✦ Rental royalties and other receipts designated for particular purposes—for example, oil and gas royalties.

Motor vehicle-related taxes and fees account for approximately 60 percent of all special fund revenue. Principal sources of this income are motor vehicle fuel taxes, registration and weight fees, and vehicle license fees. During 1995-96, \$7.7 billion will be derived from the ownership or operation of motor vehicles. Approximately \$4.7 billion of this revenue will be returned to local governments. The remainder will be available for various state programs related to transportation and services to vehicle owners.

Chapter 85, Statutes of 1991, created a new special fund for the purpose of local program realignment. Revenue attributable to a 0.50-percent sales tax rate is transferred to this Local Revenue Fund. During 1994-95, local governments received \$1.5 billion from this revenue source. In addition to this revenue, approximately 25 percent of all vehicle license fees are transferred to this fund.

Funds from the Proposition 99 tobacco related taxes are allocated to a special fund for distribution to a variety of accounts as determined by the measure. Receipts for this fund are estimated at \$444.3 million in the current year and \$436.1 million in the budget year. An additional \$33.3 million for breast cancer research will be generated in the current year by the two cents-

per-pack cigarette tax enacted in 1993, while \$32.0 million will be generated in the budget year for this purpose. The original ten cents-per-pack-tax on cigarettes is allocated to the General Fund.

MOTOR VEHICLE FEES - \$5,063,240,000

Motor vehicle fees consist of vehicle license, registration, weight, driver's license fees and various other charges related to vehicle operation.

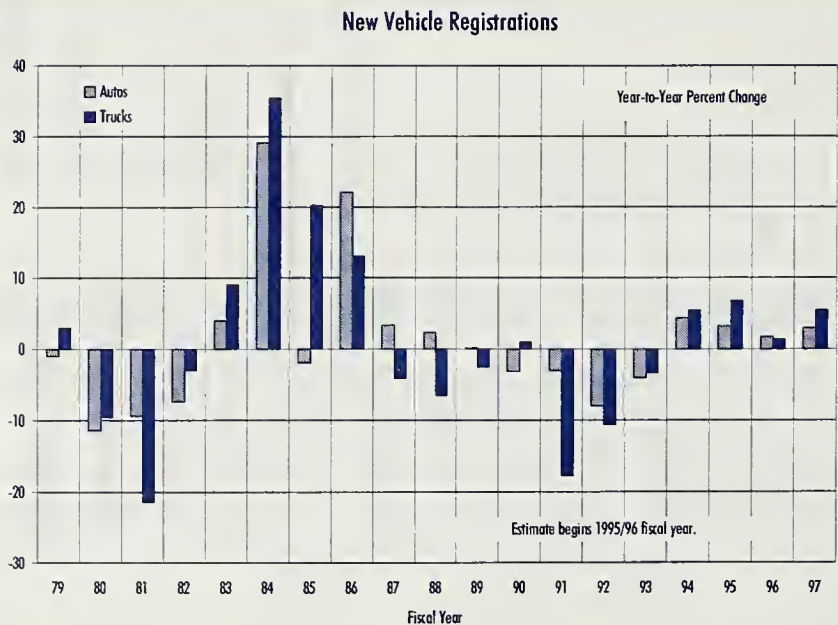
The vehicle license fee (VLF) is imposed for the privilege of operating a vehicle on the public highways in California. This tax is imposed in lieu of a local personal property tax on automobiles and is administered by the Department of Motor Vehicles. All of the revenues from this tax, other than administrative costs and fees on trailer coaches and mobilehomes, are constitutionally dedicated to local governments.

The vehicle license fee is calculated on the vehicle's "market value,"

which is the cost to the purchaser exclusive of sales tax, adjusted by a depreciation schedule. For motor vehicles, the schedule is based on an 11-year depreciation period; an 18-year depreciation period is used for trailer coaches. A two-percent rate is applied to the depreciated value to determine the fee. Thus, revenue from this source is contingent on the number of vehicles in the state, the ages of those vehicles, and their most recent sales prices.

The Department of Motor Vehicles administers the VLF for trailer coaches that are not installed on permanent foundations. Those which are installed on permanent foundations (mobilehomes) are subject to either local property taxes or the VLF. Generally, if the mobilehome was purchased new prior to July 1, 1980, it is subject to the VLF which, in this instance, is administered by the Department of Housing and Community Development rather than the Department of Motor Vehicles. All other mobilehomes are subject to the

FIGURE REV-1



local property tax. Chapter 699, Statutes of 1992, provided that all trailer coach license fees that are administered by the Department of Motor Vehicles be deposited in the General Fund. Beginning in 1994-95, all other trailer coach license fees are also deposited into the General Fund.

Allowing for scrappage and for vehicles entering and leaving the state, total fee-paid registrations (autos, trucks, trailers, and motorcycles) including a proportional factor for multi-state vehicles at year end, are estimated at 24,249,000 for 1995-96, and 24,451,000 for 1996-97. As can be seen in Figure REV-I there had been virtually no growth in new automobile and commercial truck registrations from 1985-86 until the slight improvement in 1993-94. The forecast assumes that new vehicle registrations will experience continued, moderate growth throughout the forecast period.

Effective August 1, 1991, Chapter 87, Statutes of 1991 revised the vehicle license fee depreciation schedule, imposed a 2.2-percent surcharge on those license fees for a period of one year, and required the Department of Motor Vehicles to reclassify used vehicles based upon their actual purchase price each

time the ownership of the vehicle is transferred. All of the revenue from this base change is transferred to local governments for the purpose of funding program realignment. During 1995-96, it is estimated that local governments will realize \$799.1 million from this revenue source, increasing to \$832.9 million during 1996-97.

Vehicle registration fees are levied at a flat rate of \$29 on all motor vehicles, trailers, semi-trailers and certain types of dollies. Trucks and trailers are also subject to fees based on their unladen vehicle weight. Proposition 111, approved by the voters in November 1990, increased the weight fees for vehicles with an unladen weight of more than 4,000 pounds by 40 percent effective August 1, 1990, with an additional 10-percent increase effective January 1, 1995.

Motor vehicle fees revenue is summarized in Table REV-9.

MOTOR VEHICLE FUEL TAXES - \$2,846,349,000

The motor vehicle fuel license tax (gasoline) and the use fuel tax (diesel) provide the major sources of funds for maintaining, replacing, and constructing state highway and transportation facilities. Close to

one-half of these revenues are apportioned to local jurisdictions for streets and highway use.

The gas tax is imposed on the distribution of gasoline and other flammable liquids. The current tax rate for motor vehicle fuel is 18 cents per gallon. Aircraft jet fuel is taxed at two cents per gallon.

The use fuel tax is imposed on diesel fuel, liquid petroleum gas (LPG), natural gas, and alcohol fuel for use on state highways. The current tax rates are 18 cents per gallon of diesel fuel, 7 cents per 100 cubic feet of compressed natural gas, 6 cents per gallon of LPG or liquid natural gas, and 9 cents per gallon of alcohol fuel. In addition, a person may elect to pay a flat rate fuel tax based on vehicle weight in lieu of the tax on LPG. Local transit systems and certain common carriers pay one cent per gallon.

Gasoline consumption is basically stable, with conservation efforts thought to be offsetting economically-driven growth. Consumption is estimated to increase 4.7 percent during 1995-96, with slower growth of 1.1 percent anticipated during 1996-97. The majority of diesel fuel is consumed by the commercial trucking industry and, as a result, consumption is impacted more by the general health of the economy than by price. Diesel fuel consumption increased 8.0 percent in 1994-95, and is expected to grow by 5.6 percent and 5.0 percent in 1995-96 and 1996-97, respectively.

Proposition 111, which was enacted November 1990, increased gasoline and diesel fuel tax rates by five cents per gallon effective August 1, 1990, with an additional one cent-per-gallon increase each January 1 thereafter for four years, bringing the tax rate to 18 cents per gallon effective January 1, 1994. This

TABLE REV-9

Motor Vehicle Fees Revenue (In Thousands)

| | 1994-95 Preliminary | 1995-96 Forecast | 1996-97 Forecast |
|--|------------------------|---------------------|---------------------|
| Vehicle License Fees | \$2,403,588 | \$2,495,100 | \$2,601,400 |
| Realignment | 767,211 | 799,100 | 832,900 |
| Registration, Weight and Other Fees | <u>1,557,077</u> | <u>1,607,140</u> | <u>1,628,940</u> |
| Total | \$4,727,876 | \$4,901,340 | \$5,063,240 |

increase is estimated to generate \$1.360 billion during 1995-96 and \$1.382 billion during 1996-97 for transportation purposes.

Motor vehicle fuel revenues are shown in Table REV-10.

PROPERTY TAX REVENUE

Total property tax revenue in 1996-97 is estimated at \$19.1 billion. Property tax is the primary source of revenue for local entities, including schools. K-14 school districts receive approximately \$9.8 billion (51 percent) in property taxes annually.

Under Article XIII A of the State Constitution (Proposition 13), property is assessed at its 1975 fair market value until the property changes ownership. At the time of ownership change, the assessed value of the property is re-determined based on current market value. The fair market value of new construction is established upon completion, and thereafter is not reassessed until there is a change in ownership. The value initially established in 1975, or re-determined where appropriate, is referred to as the "base-year value". A property's base-year value may be factored up annually by an inflation factor, not to exceed two percent. In addition, the law also provides that a property's assessed value shall be the lower of its factored base-year value (base-year value plus inflation) or its current market value.

The State Constitution also limits the property tax rate to one percent plus an amount for debt approved by the voters prior to June 1978. Proceeds from the one percent rate are allocated to local jurisdictions. On a statewide basis, the distribution is approximately as follows:

| | |
|--|-----|
| K-14 Schools | 51% |
| Counties | 22% |
| Cities | 11% |
| Redevelopment Agencies | 8% |
| Special Districts (other than Redevelopment) | 8% |

Property tax growth is estimated using a biannual (November and April) survey of county assessors and auditors, requesting estimates of their county's assessed value growth for the next fiscal year. The estimates submitted indicate a statewide 1995-96 property tax growth of 1.0 percent, and 1.5 percent in 1996-97. This growth is significantly lower than the statewide growth that occurred in the late 1980s (see Figure REV-J). For purposes of adjusting the 1995-96 property tax roll, the 2.0 percent cap on the inflation factor was not reached for the first time since 1983. The actual inflation factor for 1995-96 was 1.2 percent, and it appears that the 2.0 percent again will not be reached for purposes of adjusting the 1996-97 property tax roll. The weakness in the California

real estate market in recent years has not only held down increases in assessed values of properties upon change in ownership, but has forced the downward reassessment of a significant number of properties statewide to reflect the fact that current market values have declined to a level below factored base year values.

In addition to reducing the statewide assessment roll by tens of billions of dollars, these downward reassessments have created backlogs in various assessment functions such as the processing of changes in ownerships, reassessment of new construction, processing assessment appeals and reviewing properties requiring downward reassessments. In order to maintain and strengthen the integrity of the property tax system, the Governor signed Chapter 914, Statutes of 1995, which provided counties access to a \$60 million loan to supplement their existing property tax administration program and process the existing backlogs.

FIGURE REV-J

Assessed Value Growth Since 1985-86
(Estimated for 1995-96 and 1996-97)

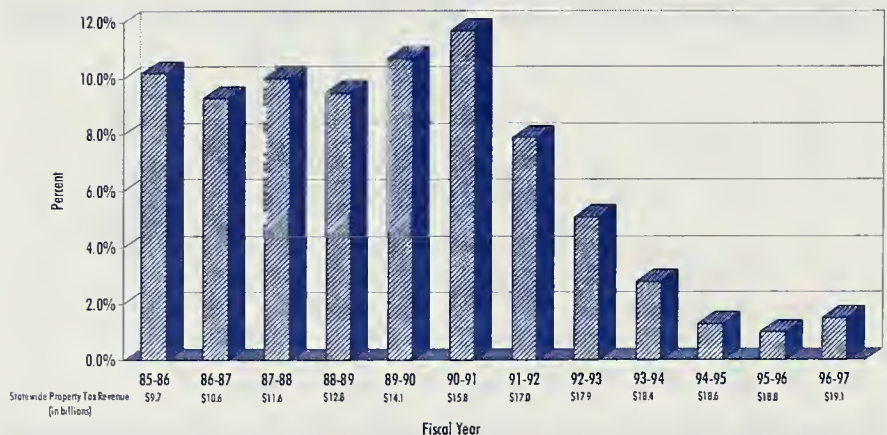


TABLE REV-10

Motor Vehicle Fuel Tax Revenue

(Dollars in Thousands)

| | 1994-95 Preliminary | 1995-96 Forecast | 1996-97 Forecast |
|------------------------|------------------------|---------------------|---------------------|
| Gasoline ^{1/} | \$2,276,951 | \$2,446,314 | \$2,468,245 |
| Diesel | 341,801 | 360,295 | 378,104 |
| Total | \$2,618,752 | \$2,806,609 | \$2,846,349 |

^{1/} Does not include jet fuel.

TABLE REV-11

Summary of State Tax Collections

(Excludes Departmental, Interest and Miscellaneous Revenue)

| | Per Capita Personal Income ^{1/2/} | State Tax Collections (In Millions) | | Taxes per Capita ^{1/} | | Taxes per \$100 of Personal Income ^{3/} | |
|-----------------------|--|--|---------|--------------------------------|----------|---|--------|
| | | General | | General | | General | |
| | | Fund | Total | Fund | Total | Fund | Total |
| 1967-68 | \$3,849 | \$3,558 | \$4,676 | \$185.55 | \$243.86 | \$4.82 | \$6.34 |
| 1968-69 | 4,165 | 3,963 | 5,173 | 203.94 | 266.21 | 4.90 | 6.39 |
| 1969-70 | 4,484 | 4,126 | 5,409 | 208.96 | 273.94 | 4.66 | 6.11 |
| 1970-71 | 4,738 | 4,290 | 5,598 | 214.08 | 279.36 | 4.52 | 5.90 |
| 1971-72 | 4,954 | 5,213 | 6,597 | 256.22 | 324.24 | 5.17 | 6.54 |
| 1972-73 | 5,353 | 5,758 | 7,231 | 279.72 | 351.28 | 5.23 | 6.56 |
| 1973-74 | 5,826 | 6,377 | 7,877 | 305.57 | 377.45 | 5.25 | 6.48 |
| 1974-75 | 6,423 | 8,043 | 9,572 | 379.85 | 452.06 | 5.91 | 7.04 |
| 1975-76 | 6,934 | 9,050 | 10,680 | 420.19 | 495.87 | 6.06 | 7.15 |
| 1976-77 | 7,630 | 10,781 | 12,525 | 491.48 | 570.98 | 6.44 | 7.48 |
| 1977-78 | 8,339 | 12,951 | 14,825 | 579.41 | 663.25 | 6.95 | 7.95 |
| 1978-79 | 9,365 | 14,188 | 16,201 | 621.30 | 709.45 | 6.63 | 7.58 |
| 1979-80 | 10,523 | 16,904 | 19,057 | 726.83 | 819.41 | 6.91 | 7.79 |
| 1980-81 | 11,688 | 17,808 | 20,000 | 748.80 | 840.97 | 6.41 | 7.20 |
| 1981-82 | 12,841 | 19,053 | 21,501 | 784.78 | 885.62 | 6.11 | 6.90 |
| 1982-83 | 13,418 | 19,567 | 22,359 | 788.83 | 901.39 | 5.88 | 6.72 |
| 1983-84 | 14,122 | 22,300 | 25,674 | 880.14 | 1,013.30 | 6.23 | 7.18 |
| 1984-85 | 15,392 | 25,515 | 29,039 | 988.34 | 1,124.85 | 6.42 | 7.31 |
| 1985-86 | 16,338 | 26,974 | 30,898 | 1,021.63 | 1,170.25 | 6.25 | 7.16 |
| 1986-87 | 17,114 | 31,331 | 35,368 | 1,158.18 | 1,307.41 | 6.77 | 7.64 |
| 1987-88 | 17,870 | 31,228 | 35,611 | 1,126.67 | 1,284.81 | 6.30 | 7.19 |
| 1988-89 | 18,753 | 35,647 | 40,613 | 1,255.49 | 1,430.39 | 6.69 | 7.63 |
| 1989-90 | 19,671 | 37,248 | 43,052 | 1,278.16 | 1,477.32 | 6.50 | 7.51 |
| 1990-91 | 20,606 | 36,828 | 43,556 | 1,228.58 | 1,453.03 | 5.96 | 7.05 |
| 1991-92 | 20,714 | 40,072 | 48,856 | 1,307.19 | 1,593.74 | 6.31 | 7.69 |
| 1992-93 | 21,371 | 39,197 | 48,230 | 1,252.06 | 1,540.60 | 5.86 | 7.21 |
| 1993-94 | 21,529 | 38,351 | 48,941 | 1,208.06 | 1,541.64 | 5.61 | 7.16 |
| 1994-95 ^{p/} | 21,860 | 40,985 | 50,499 | 1,275.20 | 1,571.22 | 5.83 | 7.19 |
| 1995-96 ^{d/} | 23,183 | 43,664 | 53,616 | 1,339.18 | 1,644.41 | 5.78 | 7.09 |
| 1996-97 ^{d/} | 24,080 | 44,704 | 54,922 | 1,347.93 | 1,656.02 | 5.60 | 6.88 |

^{1/} Per Capita computations are based on July 1 populations estimates, benchmarked to the 1990 Census.^{2/} Personal income data are on a calendar year basis (e.g., 1987 for 1987-88).^{3/} Taxes per \$100 personal income computed using calendar year personal income e.g., 1987 income related to 1987-88 tax collections.^{p/} Preliminary^{d/} Estimated

TABLE REV-12

Outline of State Tax System as of
January 1, 1996

| Major Taxes and Fees | Base or Measure | Rate | Administering Agency | Fund |
|----------------------------------|---|---------------------|----------------------------|--|
| Alcoholic Beverage Excise Taxes: | | | | |
| Beer | Gallon | \$0.20 | Equalization ¹ | General |
| Distilled Spirits | Gallon | \$3.30 | Equalization | General |
| Dry Wine | Gallon | \$0.20 | Equalization | General |
| Sweet Wine | Gallon | \$0.20 | Equalization | General |
| Sparkling Wine | Gallon | \$0.30 | Equalization | General |
| Hard Cider | Gallon | \$0.20 | Equalization | General |
| Bank and Corporation: | | | | |
| General Corporation | Net income | 9.3% ² | Franchise ³ | General |
| Bank and Financial Corp. | Net income | 11.3% | Franchise | General |
| Alternate Minimum Tax | Alternate Taxable Income | 7.0% | Franchise | General |
| Tobacco: | | | | |
| Cigarette | Package | \$0.37 ⁴ | Equalization | Cigarette Tax, Cigarette and Tobacco Products Surtax, and Breast Cancer Act |
| Other Tobacco Products | Wholesale price | 31.20% | Equalization | Cigarette and Tobacco Products Surtax |
| Energy Resources Surcharge | Kilowatt hours | \$0.0002 | Equalization | Energy Resources Surcharge Fund |
| Horse Racing License | Amount wagered | 0.5-6.45% | Horse Racing Board | Fair & Expo ⁵ , Satellite Wagering ⁶ , Wildlife Restoration, and General |
| Estate | Taxable Federal estate | 0.8-16% | Controller | General |
| Insurance | Gross Premiums | 2.35% ⁷ | Insurance Dept. | General |
| Liquor license fees | Type of license | Various | Alcoholic Beverage Control | General |
| Motor Vehicle: | | | | |
| Vehicle License Fees | Market value | 2.0% | Motor Vehicle Dept | Motor Vehicle License Fee and Local Revenue ⁸ |
| Fuel—Gasoline | Gallon | \$0.18 | Equalization | Motor Vehicle Fuel ⁹ |
| Fuel—Diesel | Gallon | \$0.18 | Equalization | Motor Vehicle Fuel |
| Registration Fees | Vehicle | \$29.00 | Motor Vehicle Dept | Motor Vehicle ¹⁰ |
| Weight Fees | Unladen weight | Various | Motor Vehicle Dept | State Highway ¹¹ |
| Personal Income | Taxable income | 1-9.3% | Franchise | General |
| Alternate Minimum Tax | Alternate Taxable Income | 7.0% | Franchise | General |
| Private Railroad Car | Valuation | ¹² | Equalization | General |
| Retail Sales and Use | Receipts from sales or lease of taxable items | 5.50% ¹³ | Equalization | General and Local Revenue |

Source: State of California, Department of Finance

¹ State Board of Equalization.² Minimum tax \$800 per year.³ Franchise Tax Board⁴ This tax is levied at the combined rate of 10 cents per pack of 20 cigarettes for the General Fund, 25 cents per pack for the Cigarette and Tobacco Products Surtax, and 2 cents per pack for the Breast Cancer Act. An equivalent tax is levied on other tobacco products.⁵ For support of county fairs and other activities.⁶ For construction of Satellite Wagering Facilities and health and safety repairs at fair sites.⁷ Ocean marine insurance is taxed at the rate of 5 percent of underwriting profit attributable to California business. Special rates also apply to certain pension and profit sharing plans, surplus lines, and nonadmitted insurance.⁸ For return to cities and counties. Trailer coach license fees are deposited in the General Fund.⁹ For administrative expenses and apportionment to State, counties and cities for highways, airports and small craft harbors.¹⁰ For support of State Department of Motor Vehicles, California Highway Patrol, other agencies and motor vehicle related programs.¹¹ For state highways and State Department of Motor Vehicles administrative expense.¹² Average property tax rate in the State during preceding year.¹³ Includes a 5.00% rate for the State General Fund and Transportation Fund and a 0.50% rate to the Local Revenue Fund for realignment.

TABLE REV-13

Comparative Yield of State Taxes, 1970-71 through 1996-97
Includes both General and Special Funds
(Dollars in Thousands)

| Year Ending June 30 | Sales and Use | Personal Income | Bank and Corporation | Tobacco (b) | Estate Inheritance and Gift (c) | Insurance (d) | Alcoholic Beverage (e) | Horse Racing (f) | Motor Vehicle Fuel (g) | Vehicle Fees (h) |
|---------------------------|------------------|--------------------|-------------------------|----------------|---------------------------------------|------------------|------------------------------|------------------------|------------------------------|---------------------|
| 1971 | \$1,808,052 | \$1,264,383 | \$532,091 | \$239,721 | \$185,699 | \$158,423 | \$106,556 | \$64,601 | \$674,635 | \$513,202 |
| 1972 | 2,015,993 | 1,785,618 | 662,522 | 247,424 | 220,192 | 170,179 | 112,091 | 69,380 | 712,426 | 547,845 |
| 1973 | 2,198,523 | 1,884,058 | 866,117 | 253,602 | 260,119 | 179,674 | 114,884 | 72,693 | 746,196 | 596,922 |
| 1974 | 2,675,738 | 1,829,385 | 1,057,191 | 258,921 | 231,934 | 201,697 | 119,312 | 78,289 | 742,702 | 644,448 |
| 1975 | 3,376,078 | 2,578,676 | 1,253,676 | 261,975 | 242,627 | 202,991 | 120,749 | 86,637 | 752,234 | 664,453 |
| 1976 | 3,742,524 | 3,084,611 | 1,286,515 | 268,610 | 316,648 | 241,224 | 125,313 | 96,117 | 766,555 | 749,936 |
| 1977 | 4,314,201 | 3,761,356 | 1,641,500 | 269,384 | 367,964 | 372,476 | 127,485 | 102,702 | 810,321 | 807,782 |
| 1978 | 5,030,438 | 4,667,887 | 2,082,208 | 273,658 | 365,092 | 387,560 | 132,060 | 111,591 | 850,181 | 924,410 |
| 1979 | 5,780,919 | 4,761,571 | 2,381,223 | 268,816 | 416,955 | 420,184 | 140,059 | 112,856 | 896,591 | 1,021,856 |
| 1980 | 6,623,521 | 6,506,015 | 2,510,039 | 290,043 | 465,611 | 446,228 | 138,940 | 127,002 | 852,752 | 1,096,640 |
| 1981 | 7,131,429 | 6,628,694 | 2,730,624 | 278,161 | 530,185 | 460,926 | 142,860 | 129,779 | 839,994 | 1,127,293 |
| 1982 | 7,689,023 | 7,483,007 | 2,648,735 | 276,824 | 482,300 | 454,984 | 139,523 | 119,626 | 833,446 | 1,373,354 |
| 1983 | 7,795,488 | 7,701,099 | 2,536,011 | 271,621 | 517,875 | 736,929 | 136,209 | 120,159 | 928,633 | 1,614,993 |
| 1984 | 8,797,865 | 9,290,279 | 3,231,281 | 263,231 | 236,452 | 457,490 | 137,433 | 141,001 | 1,213,167 | 1,906,290 |
| 1985 | 9,797,564 | 10,807,706 | 3,664,593 | 262,868 | 296,805 | 643,139 | 135,786 | 133,814 | 1,199,637 | 2,137,326 |
| 1986 | 10,317,930 | 11,413,040 | 3,843,024 | 258,141 | 252,810 | 839,939 | 132,262 | 131,592 | 1,194,172 | 2,515,295 |
| 1987 | 10,904,022 | 13,924,527 | 4,800,843 | 255,076 | 273,089 | 1,008,804 | 131,288 | 131,733 | 1,245,881 | 2,692,835 |
| 1988 | 11,650,531 | 12,950,346 | 4,776,388 | 250,572 | 304,148 | 1,156,321 | 128,734 | 132,208 | 1,293,254 | 2,966,334 |
| 1989 | 12,650,893 | 15,889,179 | 5,138,009 | 559,617 | 335,091 | 1,317,630 | 128,264 | 143,379 | 1,320,512 | 3,142,484 |
| 1990 | 13,917,771 | 16,906,568 | 4,965,369 | 787,076 | 388,527 | 1,167,684 | 128,524 | 147,920 | 1,349,146 | 3,305,711 |
| 1991 | 13,839,573 | 16,852,079 | 4,544,783 | 745,074 | 498,774 | 1,287,152 | 129,640 | 148,279 | 1,999,771 | 3,513,159 |
| 1992 | 17,458,521 | 17,242,816 | 4,538,451 | 726,064 | 446,696 | 1,167,307 | 321,352 | 128,596 | 2,457,229 | 4,369,862 |
| 1993 | 16,598,863 | 17,358,751 | 4,659,950 | 677,846 | 458,433 | 1,188,181 | 292,107 | 119,202 | 2,412,574 | 4,470,371 |
| 1994 | 16,172,626 | 17,402,976 | 4,809,273 | 664,322 | 552,138 | 1,196,921 | 275,797 | 118,096 | 2,547,633 | 4,518,795 |
| 1995 (i) | 16,283,952 | 18,500,000 | 5,716,603 | 674,741 | 599,000 | 998,868 | 268,957 | 106,974 | 2,620,090 | 4,727,876 |
| 1996 * | 17,306,817 | 20,220,000 | 5,681,000 | 644,000 | 543,000 | 1,139,000 | 266,000 | 106,409 | 2,808,109 | 4,901,340 |
| 1997 * | 18,112,518 | 20,583,000 | 5,620,500 | 630,100 | 578,000 | 1,120,000 | 262,000 | 104,905 | 2,847,849 | 5,063,240 |

(a) Includes the corporation income tax and, commencing with 1989 data, the unitary election fee.

(b) Proposition 99 (November 1988) increased the cigarette tax to \$0.35 per pack and added an equivalent tax to other tobacco products. The 8-cent Cigarette Tax Act added \$0.02 per pack effective 1/1/94.

(c) Proposition 6 (June 1982) repealed the inheritance and gift taxes and imposed an estate tax equal to the maximum allowable Federal estate tax credit effective for decedents dying on or after June 8, 1982.

(d) The conclusion of litigation resulted in additional revenue of \$51 million in 1987-88, \$178 million in 1988-89, \$7 million in 1990-91, \$5 million in 1991-92, in refunds of \$46 million in 1993-94, in refunds of \$200 million in 1994-95, and may result in additional refunds in 1995-96.

(e) Alcoholic beverage excise taxes were significantly increased effective July 15, 1991.

(f) Beginning in 1988-89, includes revenues from satellite wagering that were not included in prior years.

(g) Motor vehicle fuel tax (gasoline), use fuel tax (diesel and other fuels), and jet fuel.

(h) Registration and weight fees, motor vehicle license fees, and other fees.

(i) Some figures for 1995 may be preliminary.

* Estimated

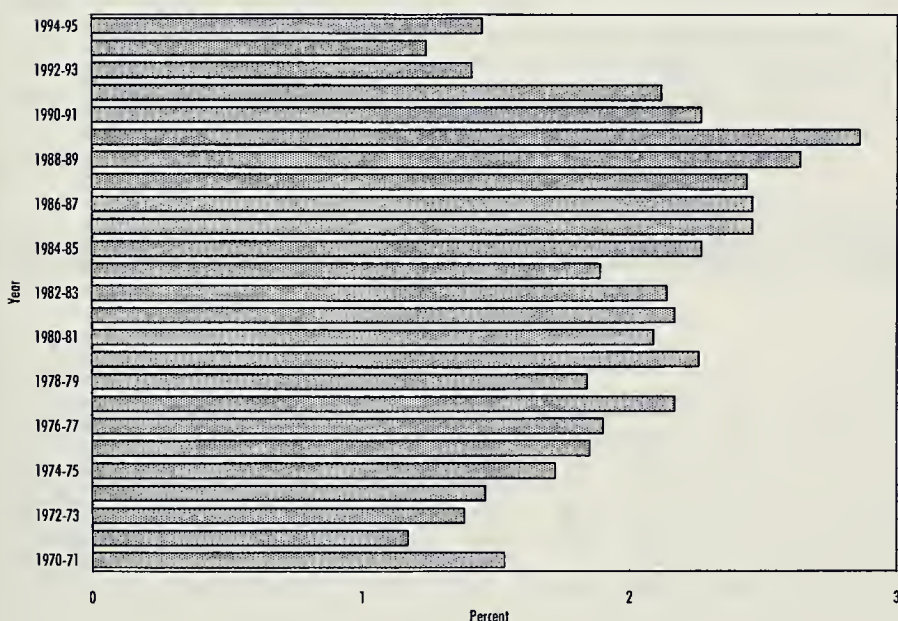
Demographic Outlook

As of July 1995 California's population was 32.6 million, an increase of approximately 465,000 persons from July 1994. This was a growth rate of 1.4 percent, an increase from the prior year rate of 1.2 percent. (See Figure DEM-A) The State's declining growth rate seems to have bottomed out after 4 years.

Population growth rates in California are expected to increase reflecting the improved economic climate. A population increase in 1996-97 of more than

FIGURE DEM-A

California Population Growth Rate



500,000 and annual average gains of 600,000 persons are anticipated through the turn of the century which will result in a return to the growth of the early 1990's in the two-percent range.

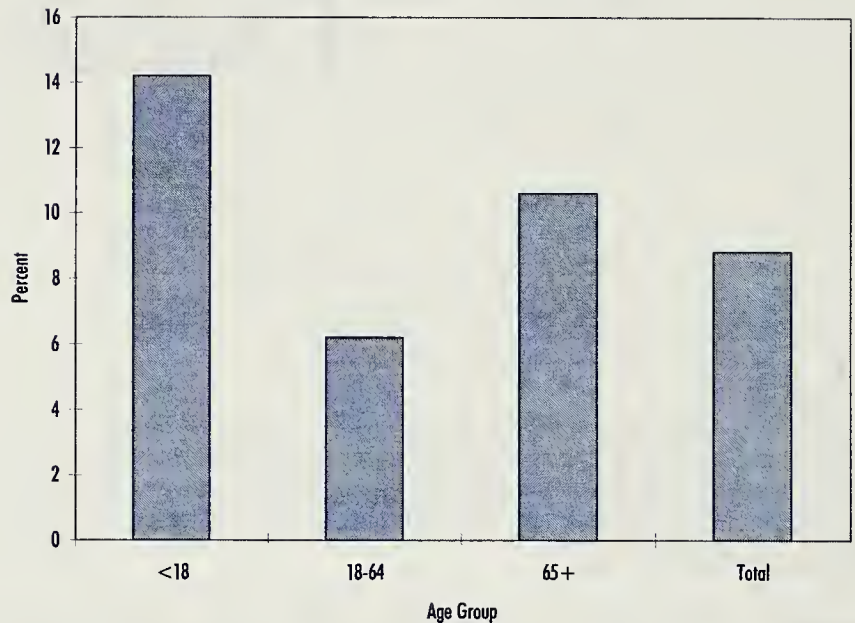
The components of population change between July 1994 and July 1995 are natural increase (births minus deaths) of 360,000, and net migration of 105,000. Three-fourths of the State's growth in the current budget year (1995-96) is due to natural increase. Births and deaths will vary little in the next few years; however, increases are anticipated in the State's net migration. Foreign immigration has been approximately 300,000 since 1990 and is expected to remain at that level through the year 2000. On the other hand, California is experiencing a net loss of migrants to other states in 1995-96. Most recent indicators show an equilibrium with a net domestic migration flow of zero. It is expected that continued gains in the California economy will cause more persons to move to California in the coming years and fewer to leave to reside in another state, reversing the negative trends of the early 1990s.

Since 1990 the overall population has grown by 8.8 percent. However, the growth rates differ significantly by age group. While the working-age population increased by 6.2 percent, those less than 18 years old grew by more than double that rate and the older populations expanded by 10.6 percent. (See Figure DEM-B) At the same time, the race/ethnic mix of the State continued to diversify, with more than half of the babies in the State being born to non-white women and continued high levels of foreign immigration.

Similar to overall population trends, the State's public school enrollment slowed beginning in 1990-91. The growth rate for graded public school enrollment fell from 3.7 percent in 1990-91 to less than 1.5 percent in 1994-95. The annual number of new students dropped from more than 173,000 to less than 76,000. School enrollment continues to grow faster than the total population, reflecting the increase in births that occurred during the 1980s. The annual growth is expected to exceed 100,000 new students per year through the remainder of the decade, but to remain under 150,000 new students annually. ☞

FIGURE DEM-B

California Population Growth by Age: 1990-95



Elementary and Secondary Education

Students that advance in grade level and graduate from California's schools should be able to perform at the academic level associated with those achievements. The Administration believes that greater investment in core subject areas, along with greater parent involvement, will produce results ensuring that children meet or exceed all standards set for each child's grade level. Such progress can only be made in a safe learning environment for the 5.5 million children in the State's K-12 public schools. As indicated in Table K12-1, nearly \$31.9 billion will be devoted to California's 1,001 school districts and 58 county offices of education.

Figure K12-A displays the various sources of revenue for schools.

Strength in projected state revenues in 1996-97 has contributed to a 4.5-percent increase in state General Fund support for K-12 education which allows sufficient resources for schools to receive a cost-of-living adjustment (COLA) for revenue limit apportionments, Special Education, and Child Development. The COLA rate is currently estimated at 3.34 percent. In addition, the level of resources provided results in a 1995-96 local assistance K-12 per pupil expenditure level of \$4,500, growing to \$4,544 in the budget year (see Table K12-2).

Of the funding reported by schools from their general fund, the various categories of expenditure, along with the respective share of total funding for each category, are displayed in Figure K12-B. All costs shown are those reported to the state by schools using the definitions specified in the California School Accounting Manual.

Compared to 1994-95, the K-12 share of each new tax dollar is expected to more than double. Similarly, it is projected that growth in Proposition 98 overall (for both K-12 and community colleges) will account for over 86 cents of each new tax dollar in 1996-97, as illustrated by Figure K12-C.

TABLE K12-1

Total Revenue For K-12 Education
(Dollars in Millions)

| Source of Funds | 1990-91 | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 ^{1/} | 1996-97 ^{1/} | Change | |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------------|--------------|-------------|
| | | | | | | | | Amount | Percent |
| State General Fund ^{2/} | \$15,498 | \$16,266 | \$16,250 | \$14,896 | \$15,483 | \$16,904 | \$17,672 | \$768 | 4.5% |
| Lottery Fund | 646 | 399 | 501 | 556 | 643 | 638 | 638 | — | — |
| Other State Funds | 78 | 115 | 47 | 50 | 53 | 47 | 51 | 4 | 8.5% |
| Federal Funds | 1,780 | 1,983 | 2,137 | 2,329 | 2,523 | 2,573 | 2,582 | 9 | 0.3% |
| Local Property Taxes | 5,007 | 5,319 | 6,475 | 8,246 | 8,574 | 8,661 | 8,713 | 52 | 0.6% |
| Local Debt Service | 305 | 317 | 364 | 360 | 364 | 368 | 371 | 3 | 0.8% |
| Local Miscellaneous | 1,723 | 1,733 | 1,713 | 1,757 | 1,792 | 1,828 | 1,864 | 36 | 2.0% |
| Total Revenue | \$25,037 | \$26,132 | \$27,487 | \$28,194 | \$29,432 | \$31,019 | \$31,891 | \$872 | 2.8% |
| Unduplicated ADA | 5,072,454 | 5,230,639 | 5,375,833 | 5,468,024 | 5,543,010 | 5,666,723 | 5,793,479 | 126,756 | 2.2% |

^{1/} Estimated.

^{2/} State General Fund is adjusted to reflect local expenditures for the year in which the funds were received.

GOVERNOR'S INITIATIVES

In 1996-97, the Administration proposes to emphasize improved academic achievement through an improved focus instructional improvement and accountability, particularly in the areas of reading and math. In addition, in order for student and teacher to focus on instruction, safe campuses continue to be a priority. The Governor is also continuing his prevention programs by expanding those

efforts started in his first year in office, and by advancing new ideas in this area.

INSTRUCTIONAL IMPROVEMENT AND ACCOUNTABILITY

Reading and Math Improvement In the Elementary Grades. To make certain that students receive a solid foundation in basic skills, legislation was enacted that requires the State Board of Education (SBE) to ensure that the basic instruc-

tional materials adopted for reading and mathematics in grades one through eight are based on fundamental skills such as phonics, spelling, and basic computational skills. To further the goal of improving pupil achievement in reading and math in the elementary grades, the Governor is proposing a \$100 million program to implement the recommendations of the California Reading Task Force and the California Mathematics Task Force. The program will emphasize intense local training about revisions to the

reading and mathematics frameworks, examine and communicate successful teaching practices, provide staff development, as well as, fund a per pupil block grant for school districts that have an overall plan consistent with the goals of the task forces.

Pupil Assessments. The new pupil assessment program, the California Assessment of Academic Achievement, was enacted by Chapter 975, Statutes of 1995, (AB 265) which appropriated \$11 million in local assistance funding for this program in 1995-96. In addition, Chapter 308, Statutes of 1995, contained a local assistance appropriation of \$15 million for allocation in August 1996. These resources are sufficient to fund an incentive program for local testing in grades 2 through 10 in all school districts to provide valid, reliable, and comparable individual student scores to assist parents and teachers in identifying individual students' academic strengths and weaknesses.

Further, some of the funding is intended for preliminary work on development of statewide tests in reading, writing, and math in grades 4, 8 and 10. When fully funded in later years, these statewide tests will be given in a broad range of subject matters to students in grades 4, 5, 8, and 10 to generate school- and district-level scores which incorporate the results of "performance-based" assessments, designed to measure students' more sophisticated abilities to apply knowledge. The assessments will be developed by a private test publisher, under contract with the SBE.

When the Governor signed AB 265, he included a signature message pointing out several deficiencies in the bill. One such problem was that the bill allowed development of the new state tests to begin prior to the

FIGURE K12-1

Revenue for California's K-12 Schools
Source of Revenues
(Dollars in Billions, Percent of Total)

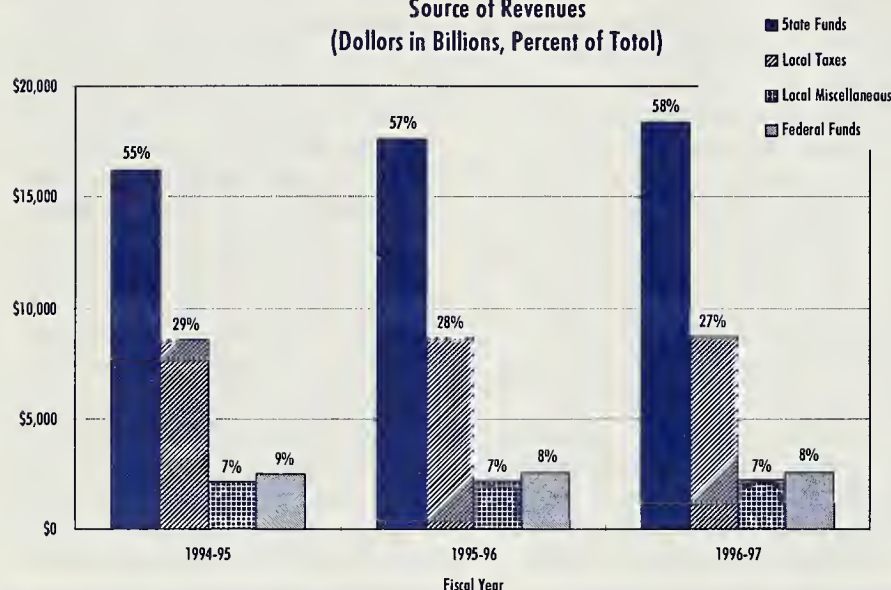


TABLE K12-2

K-12 Funding per Pupil
Proposition 98 and Related Funding
(Dollars in Thousands)

| | 1994-95 | 1995-96 | 1996-97 |
|--------------------|---------------------|---------------------|---------------------|
| General Fund | \$13,895,941 | \$15,275,995 | \$16,005,394 |
| Local Revenue | 8,481,377 | 8,586,160 | 8,637,536 |
| Total | \$22,377,318 | \$23,862,155 | \$24,642,930 |
| Proposition 98 ADA | 5,185,271 | 5,303,143 | 5,423,585 |
| Dollars Per ADA | 4,316 | 4,500 | 4,544 |

final adoption by the SBE of academic content and performance standards. The signature message indicated that assurance had been received by the bill's author and the Superintendent of Public Instruction that this deficiency would be corrected through legislation when the Legislature reconvenes in January 1996. Because it is not expected that these standards will be adopted prior to December of 1996, implementation of the first set of statewide tests will be delayed until 1997-98; therefore, no funds have been included for this activity in 1996-97. The budget does contain a local assistance augmentation of \$7.2 million to fund the increased number of students expected to take the locally adopted

individual tests, expand work on test analysis and reporting, expand the Golden State Exam, and begin development of the second set of statewide tests scheduled to be given in 1997-98.

Governor's Diploma. In order to encourage achievement and reward the accomplishments of California's high school students, the budget includes a set-aside to create a new merit diploma to be awarded to students who demonstrate mastery of a broad range of academic subjects. This program would be established through legislation and the budget includes a set-aside of \$100 thousand for state support and \$1 million for local assistance for implementation of this program.

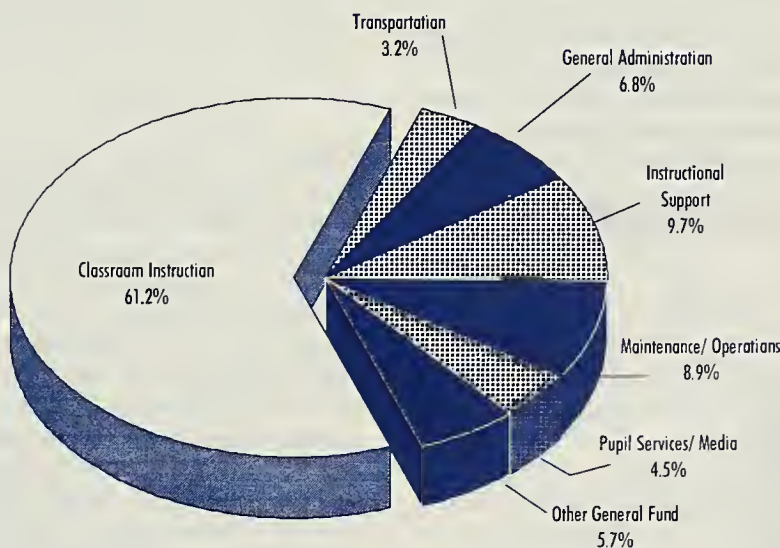
School/Public Library Joint Use Pilot Program. In an effort to better use tax monies by combining local and state resources, the Administration is proposing \$10 million for pilot projects to assist school and public libraries to work together. Each project will have its own characteristics that respond to the library needs of the community, with the school as the central institution for the education of all community members. The projects will vary in mission, structure, and use of technology in order to address as many issues as possible for future projects that build from these models.

State Board of Education (SBE). In order for the SBE to be a strong and effective body, and to exercise the necessary leadership to help improve our schools, it needs to be able to receive independent professional advice on an ongoing basis. The Board addresses a multitude of complex policy issues which include adopting new academic and performance standards, developing a new testing system, enhancing instruction and curriculum, developing a strategic plan for educational finance, and properly overseeing the State Department of Education (SDE) budget among many other things. Accordingly, the budget includes \$350 thousand to provide additional full-time support to the Board.

Additionally, funding of \$250 thousand is included for the SBE to fund studies to analyze how the Golden State Exam relates to other achievement tests given in California and other states, and the best practices (including privatization) within California and throughout the nation of carrying out noninstructional activities such as food services, transportation, supplies, buildings, and grounds.

FIGURE K12-B

Where Schools Spend Their Money



Classroom Instruction includes general education, special education, and special projects. General Administration includes superintendent and board, district administration, other administration, centralized EDP, and maintenance and operations for administration. Instructional Support includes instructional administration, school site administration, and special projects administration. Maintenance and Operations includes utilities, janitorial and groundskeeping staff, and routine repair and maintenance. Pupil Services includes counselors, school psychologists, nurses, child welfare, and attendance staff. Media includes libraries and media centers. Other General Fund includes spending for tuition, facilities, contracts with other agencies, and transfers to and from other district funds. (Based on 1993-94 data reported by schools.)

Goals 2000/California School Reform. For 1995-96, California has been authorized to receive approximately \$42 million to carry out second-year Goals 2000 activities. Since the federal Goals 2000 legislation contains potential restrictions on how California should spend the funds, as well as a requirement that California's improvement plan is subject to approval and modification by the U.S. Secretary of Education, the funds have not been accepted by the Administration.

Included in the State's General Fund Reserve for Economic Uncertainties is \$42 million which will allow California to achieve "systemic" education reform pursuant to state-determined policy. This money will not be necessary if California can be assured that, if it accepts federal Goals 2000 funds, it will receive a full and unconditional waiver of any right of federal regulation, notwithstanding any statutory language, express or implied, to the contrary.

SCHOOL SAFETY

Zero Tolerance. In 1995, two bills were enacted to provide a safer school environment, allowing teacher and student efforts alike to focus on academic achievement rather than personal safety. Legislation was enacted that solidified the Administration's zero tolerance policy, by further strengthening the suspension and expulsion requirements for those pupils who possess, sell, or otherwise furnish a firearm, brandish a knife at another person, or who unlawfully sell a controlled substance. The Governor's Budget includes \$20 million to ensure that pupils expelled for these reasons are placed in a county community school or other alternative education program that is not located at a comprehensive school site. County community schools cost an additional \$2,400 per pupil on average.

Community Day Schools. Legislation was enacted to create the Community Day Schools Program, an entirely new alternative placement program for expelled pupils and pupils whose behavior is deemed disruptive to the compre-

hensive school learning environment. The Governor's Budget proposes \$45.8 million to fully fund this school district-operated program, as an alternative to the traditional county office of education community school program. School districts will receive incentive funding to ensure that pupils placed in Community Day Schools receive at least six hours of instruction in the classroom; independent study time will not count toward the six-hour instructional time requirement. Children that most need instruction and guidance will be provided those services.

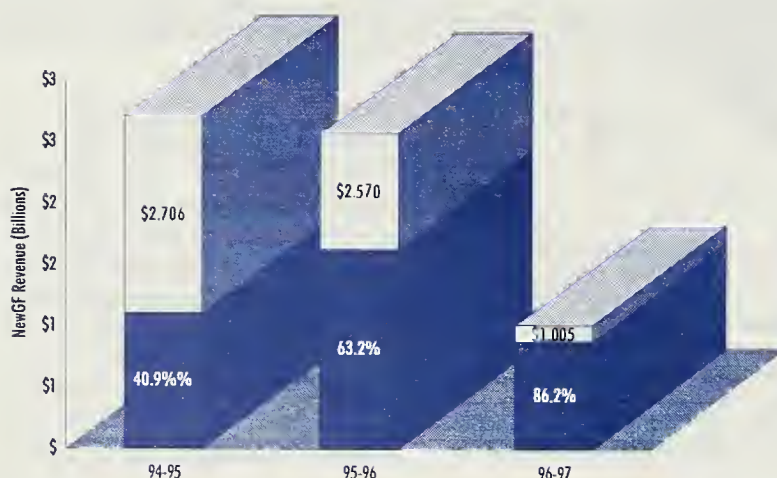
School Crime Report. The Governor's Budget includes \$1.2 million for the SDE to administer the School Crime Report. This level of funding is sufficient for the development of an electronic reporting and compiling system that will help the State and local education agencies develop geographically specific school crime reduction strategies.

PREVENTION

Parent Involvement. The Governor's Budget proposes to fund a permanent unit at the SDE to plan, coordinate, and implement a comprehensive family-school partnership program. Parent involvement not only strengthens a child's academic achievement, but also creates an important link between the community and the school. The Governor's Budget includes \$1.8 million at the State level for activities such as designing a strategic plan for family-school partnerships, spearheading a public awareness campaign, communicating academic content for parents, creating State and regional level networks, and establishing a state-wide parent/family resource center for continued assistance to school districts. Also included is

FIGURE K12-C

Prop 98 Increase
as a Percentage of New GF SAL Revenue



\$550 thousand for new grants to 11 existing regional networks to coordinate local parent involvement efforts.

Academic Mentors. Chapter 308, Statutes of 1995, included \$5 million to initiate the Academic Volunteer and Mentor Program. This program was authorized by Chapter 901, Statutes of 1992, and is intended to match at-risk children and youth with adult role models in a one-to-one mentoring environment. This program will be managed by the Office of Child Development and Education, which is developing state standards for the operation of an estimated 90 local academic mentor projects expected to be funded in 1996-97.

Single-Gender Academies Pilot. The Governor's Budget proposes \$5 million to sponsor 20 single-gender academies for students who have a high probability of doing poorly or dropping out of school. These pilot schools are expected to be authorized within the current legal framework for magnet schools. Under that general structure, programs can emphasize parental involvement, mentors, as well as fostering community and business partnerships.

Healthy Start. The Governor's Budget proposes an increase of \$10 million to the \$39 million base amount for the Healthy Start Program to complete the funding proposed in 1995-96. As a part of the multiphase Comprehensive Integrated School-Linked Services effort, the Healthy Start funding augmentation will expand the coordination and integration of health and social services for children at school sites. This augmentation will increase the number of operational sites by approximately one-third annually.

This higher level of funding will provide approximately 300 additional schools with three years of funding. When fully operational in the second year, the new grantees will have over 100,000 additional student contacts annually. The total program will serve 597 schools and 225,000 students each year.

Preschool Program and General Child Care Expansion. A cornerstone of the Governor's prevention agenda is to provide high-quality preschool programs for children of low-income families. The Administration proposes to provide a \$10 million Preschool Program and a \$10 million expansion of the General Child Care Program to complete the \$40 million expansion begun in 1995-96. The two-year expansion will provide services to approximately 17,000 additional children in State Preschool, for a total of approximately 55,000 children, and will allow enrollment of eight thousand additional children in General Child Care, for a total of 78,000 children. This augmentation will benefit preschool children through developmental and social skills development.

HIGHLIGHTS OF THE K-12 BUDGET

In addition to the Governor's initiatives described above, the following significant items are proposed for 1996-97:

- ✦ Statutory growth of \$392.4 million for school district and county office of education apportionments
- ✦ Statutory growth of \$66.5 million for the Special Education Program
- ✦ Cost-of-living adjustment of \$729.3 million, a rate of 3.34 percent for revenue limit

apportionments, Special Education, and Child Development

- ✦ Additional State costs of \$81.9 million for 1994-95 and \$202.1 million for 1995-96 due to revised ADA and property tax estimates
- ✦ \$4 million to implement the Standard Account Code Structure, which will, when fully implemented, result in all local education agencies using comparable codes to account for and report fiscal data
- ✦ \$3 million to expand the Middle Grades Partnership Network, an alliance that serves as a national model of education reform for young adolescents, by addressing areas such as at-risk students, curriculum, grade transition, and student accountability
- ✦ \$600 thousand to expand the Alliance for Elementary Grades, a local collaborative effort to identify exemplary elementary schools for the purpose of education reform in elementary schools statewide

PROPOSITION 98 FUNDING GUARANTEE

- ✦ In 1996-97, the total Proposition 98 guarantee is estimated to increase \$926.2 million, or 3.5 percent, over the prior year. The General Fund contributes about 64 percent of the total guarantee (see Table K12-4).
- ✦ State revenues for 1995-96 have increased over the July estimate; the State now owes about \$476.9 million to satisfy the 1994-95 and 1995-96 Proposition 98 guarantee. The Governor's Budget proposes to spend the \$476.9 million on one-time uses, as specified below. The follow-

ing K-12 one-time augmentations, along with \$84.4 million for community colleges, are in satisfaction of the increased 1995-96 Proposition 98 funding requirements:

- ✦ \$100 million for reading and math improvement in elementary grades;
- ✦ \$100 million for education technology;
- ✦ \$100 million block grant for per pupil allocation for one-time costs such as deferred maintenance, instructional materials, and educational technology;
- ✦ \$50.1 million for deferred maintenance with a priority for critical hardship projects;
- ✦ \$21.7 million for prior year mandate costs;
- ✦ \$10 million for school/public library joint use pilot projects;
- ✦ \$5.7 million for a projected 1995-96 special education deficiency; and
- ✦ \$5 million for single gender schools pilot. 🐾

TABLE K12-4

Proposition 98
(Dollars in Thousands)

| Proposition 98 Appropriation | 1994-95 | 1995-96 | 1996-97 |
|--|--------------|--------------|--------------|
| State General Fund | \$15,217,442 | \$16,841,641 | \$17,707,662 |
| Local Revenue | 9,813,408 | 9,934,271 | 9,994,424 |
| Total | \$25,030,850 | \$26,775,912 | \$27,702,086 |
| State General Fund Distribution | | | |
| Department of Developmental Services | 17,479 | 16,179 | 15,374 |
| Department of Mental Health | 14,900 | 15,400 | 15,400 |
| Department of Youth Authority | 41,117 | 44,995 | 45,676 |
| Department of Education | 13,911,588 | 15,291,877 | 16,021,276 |
| California Community Colleges | 1,182,358 | 1,373,190 | 1,459,936 |
| Loan Repayment | 50,000 | 100,000 | 150,000 |
| Total | \$15,217,442 | \$16,841,641 | \$17,707,662 |
| Proposition 98 Appropriations | | | |
| Percentage Share of General Fund | | | |
| SAL ^{1/} Revenues and Transfers | 36.8% | 38.3% | 39.4% |

^{1/} State Appropriations Limit, Article XIII B.

Higher Education

UC, CSU, COMMUNITY COLLEGES AND FINANCIAL AID

California's public and private higher education institutions are critical to our social and economic vitality. The State's universities are world-renowned centers for innovation and discovery in science, medicine, technology, agriculture, economics, public policy, and national defense. The productivity of the economy depends upon an educated and literate citizenry. Without a highly educated workforce, and without the basic and applied research that colleges and universities undertake, it will be impossible for the state to compete in the global economy of the 21st century.

The 1996-97 budget represents the second year of the four-year compact with the University of California (UC) and California State University (CSU) to strengthen their budgets and ensure their continued excellence. The plan includes the following elements:

- ✦ General Fund increases of two percent the first year, and an average of four percent in the following years; additional increases for contractual obligations such as debt service and annuitant benefits.

- ✦ Enrollment growth averaging one percent annually to increase student access.
- ✦ Increased portability and transferability of classes among UC, CSU and the community colleges.
- ✦ Continued increases in productivity and efficiency with new savings of \$10 million annually.
- ✦ High priority on reduced graduation times, and on restoring faculty salaries to competitive levels.
- ✦ Annual funding for capital outlay of approximately \$150 million for each segment.

The plan's accomplishments for the first year are described in detail in the section "Maintaining Access to Higher Education," earlier in the Budget Summary.

The 1996-97 budgets for UC and CSU provide state funding increases pursuant to the compact, and additional funds to avoid general student fee increases. In addition, the budget reflects increases in enrollments consistent

with the budget plans adopted by the governing boards.

For community colleges, the budget includes full backfills of property tax shortfalls for the past and current years, full growth and cost-of-living adjustment (COLA) for both general apportionments and Basic Skills instructional programs, additional growth for underserved, rapidly growing areas where new instructional centers have been completed, and significant resources to address one-time needs in the areas of instructional equipment, maintenance, technology, and library materials. Regular enrollment fees for community colleges remain at \$13 per credit unit—the lowest in the nation.

The 1996-97 Governor's Budget proposes a variety of seismic and life safety, infrastructure, and construction projects to be financed from a total of \$413 million in existing and proposed General Obligation bond funds.

Current fee levels at UC, and at CSU in particular, continue to be moderate in comparison to similar institutions, and students will still pay only a fraction of the cost of their educa-

tion. The bulk of the cost of education is subsidized by the State. For UC, the 1996-97 cost of education for a general campus student (using the methodology developed by the California Postsecondary Education Commission) will be \$13,907; the state General Fund subsidizes 63 percent of this cost of education. For CSU, the average cost of education will be \$9,237; the state General Fund subsidizes 75 percent of this cost. For the community colleges, the state General Fund and local tax subsidy is over 91 percent of the \$3,606 cost of education.

Enrollments for 1996-97 are indicated in Table HIED-1. Total funding levels are shown in Table HIED-2.

UNIVERSITY OF CALIFORNIA

The policy of the 1996-97 budget is to continue strengthening the UC pursuant to the four-year compact initiated in 1995-96.

General Fund Increases. The budget provides a General Fund increase of \$109.9 million which includes \$82.9 million, consistent

with the second-year funding commitment of the compact and \$27 million to avoid a 7.1-percent increase in systemwide mandatory student fees. UC plans to use most of these funds, supplemented with increases in fees for students in professional schools and a nine-percent increase in nonresident tuition, for enrollment growth, employee compensation, and price increase, as discussed below.

In addition, the budget provides \$13 million for the increased cost of lease purchase payments resulting from revenue bonds, and \$2.4 million to begin repayment of \$25 million borrowed in the current year for deferred maintenance. Funding has also been increased by \$0.8 million for annuitant health and dental benefits, consistent with the cost for civil service annuitants.

Student Enrollment. UC's enrollment has increased to 153,000 full-time equivalent (FTE) students in the current year, which is 3,000 FTE more than budgeted. For 1996-97, UC is allocating \$9 million to increase budgeted enrollments by

1,500 FTE. UC will continue to meet Master Plan enrollment goals and will admit all eligible students.

Employee Compensation. UC will provide a total of \$87.2 million for employee compensation increases. Of this amount, \$28.8 million is provided for a two percent salary cost-of-living increase for all employees, effective October 1, 1996. In addition, as part of its plan to restore faculty salaries to competitive levels by 1998-99, UC will provide \$17 million for another three-percent salary increase for faculty, effective October 1, 1996, bringing the total faculty salary increase to five percent. UC's plan also includes \$9.7 million to fund the full-year cost of the 1995-96 salary increases, which were effective October 1, 1995, and \$31.7 million for full funding of academic and staff merit salary increases.

Price Increase. UC plans to allocate \$12.5 million to offset the impact of inflation on its nonsalary budget.

Deferred Maintenance. The budget provides \$10 million from

TABLE HIED-1

Higher Education Full-Time Equivalent Students

| | 1990-91 | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1996-97 vs. 1995-96 |
|---|-----------|-----------|-----------|-----------|-------------|-----------------------|-----------|---------------------------|
| University of California | 155,881 | 156,371 | 154,277 | 152,301 | 152,050 | 150,000 ^{2/} | 151,500 | 1,500 |
| Undergraduate | (116,546) | (117,297) | (115,133) | (113,548) | (113,869) | (112,200) | (NA) | (N/A) |
| Graduate | (26,798) | (26,511) | (26,374) | (25,930) | (25,546) | (25,800) | (NA) | (N/A) |
| Health Sciences | (12,537) | (12,563) | (12,770) | (12,823) | (12,635) | (12,000) | (NA) | (N/A) |
| California State University ^{1/} | 278,902 | 271,159 | 258,834 | 247,866 | 247,113 | 252,400 ^{2/} | 254,400 | 2,000 |
| Undergraduate | (239,521) | (232,822) | (221,838) | (213,632) | (213,390) | (218,010) | (NA) | (N/A) |
| Graduate/Past-baccalaureate | (39,381) | (38,337) | (36,996) | (34,234) | (33,723.00) | (34,390) | (NA) | (N/A) |
| Community Colleges | 841,075 | 860,219 | 873,363 | 864,014 | 854,843 | 854,138 | 878,439 | 24,301 |
| Hastings | 1,325 | 1,261 | 1,253 | 1,268 | 1,257 | 1,220 | 1,220 | — |
| Total Students | 1,277,183 | 1,289,010 | 1,287,727 | 1,265,449 | 1,255,263 | 1,257,758 | 1,285,559 | 27,801 |

^{1/} Includes California Maritime Academy, which became part of the CSU beginning July 1, 1995.

^{2/} Budgeted. Estimated enrollments are 153,000 for UC and 253,100 for CSU.

proposed General Obligation bond funds for UC's highest deferred maintenance needs.

Student Fees. For the second consecutive year, the budget provides funds to avoid an increase in mandatory systemwide student fees. The undergraduate fee level of \$4,139 compares favorably to the 1995-96 average of \$4,763 at four public institutions used for salary comparison purposes (see Figure HIED-A).

Medical Services Merger. Discussions are now underway between Stanford University and the University of California at San Francisco to merge the patient care activities of the medical centers operated by each institution. The Administration welcomes such bold, innovative approaches as the medical marketplace undergoes a fundamental change.

Capital Outlay. Included within the proposed budget is \$140.3 million from proposed General Obligation bond funds and \$2.0 million from existing General Obligation bond funds to support the need for construction and seismic/other renovation of classrooms, laboratories, libraries, and equipment, as well as projects to update infrastructure on campuses. This

FIGURE HIED-A

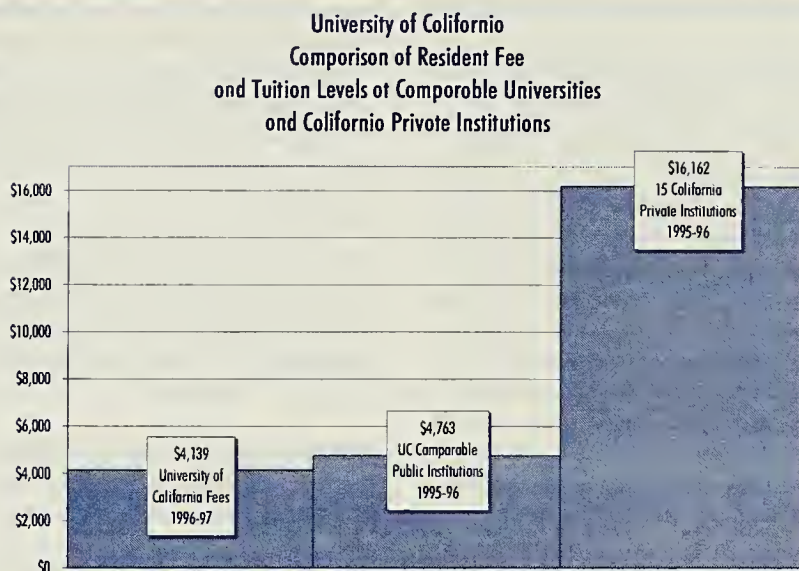


TABLE HIED-2

**Higher Education Expenditures
General Fund, Lottery Funds, State School Fund,
Local Revenues and Student Fees
(Dollars in Millions)**

| | 1990-91 | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | One-Year Change | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|--------------------|
| | | | | | | | | Amount | Percent |
| University of California ^{1/} | \$2,615.5 | \$2,685.6 | \$2,599.7 | \$2,551.6 | \$2,668.6 | \$2,787.2 | \$2,926.8 | \$139.6 | 5.0% |
| California State University ^{1/2/} | 2,050.1 | 2,051.7 | 2,016.9 | 1,975.8 | 2,141.8 | 2,255.0 | 2,349.9 | 94.9 | 4.2% ^{4/} |
| Community Colleges | 3,307.9 | 3,352.7 | 3,461.4 | 3,539.4 | 3,639.1 | 3,861.4 | 3,990.8 | 129.4 | 3.3% ^{5/} |
| Student Aid Commission | 160.7 | 172.1 | 145.9 | 210.7 | 226.1 | 240.7 | 252.1 | 11.4 | 4.7% |
| Other Higher Education ^{3/} | 86.9 | 115.5 | 135.8 | 129.2 | 156.8 | 160.3 | 188.5 | 28.2 | 17.6% |
| Total Funds | \$8,221.1 | \$8,377.5 | \$8,360.4 | \$8,408.1 | \$8,832.4 | \$9,304.6 | \$9,708.1 | \$403.5 | 4.3% |

^{1/} For purposes of this table, expenditures for the University of California and California State University have been adjusted to include the offsetting, general purpose income. This provides consistency in comparing magnitudes and growth among the various segments of education.

^{2/} Includes the California Maritime Academy which became part of CSU, effective July 1, 1995.

^{3/} The Other Higher Education amount includes General Obligation Bond Interest and Redemptions and Interest on PMIA Loans for UC, CSU and Hastings College of the Law (HCL); California Postsecondary Education Commission.

^{4/} CSU's expenditures for 1995-96 include \$20.4 million in General Fund for one-time expenditure of funds carried over from prior years.

Without these one-time expenditures in 1995-96, CSU's expenditures for 1996-97 would show a one-year increase of \$115.3 million or 5.1 percent.

^{5/} CCC expenditures for 1995-96 include \$70 million in General Fund proposed legislation for one-time expenditures. Without this proposal, CCC expenditures for 1996-97 would show a one-year increase of \$199.4 million or 5.3 percent.

funding level is consistent with the compact's commitment for \$150 million annually for capital projects, incorporating UC's decision to use \$10 million for high-priority deferred maintenance projects with a 15-year useful life.

CALIFORNIA STATE UNIVERSITY

The policy of the 1996-97 budget is to continue strengthening the CSU pursuant to the four-year compact initiated in 1995-96.

General Fund Increases. The budget provides a General Fund increase of \$101.8 million which includes \$71.6 million, consistent with the second-year funding commitment of the compact and \$30.2 million to avoid a ten-percent increase in systemwide mandatory student fees. CSU plans to allocate most of these funds to student enrollment, employee compensation, deferred maintenance, instructional equipment, price increase, and developing campuses, as discussed in more detail below.

In addition, the Governor's Budget provides \$11.2 million for the increased cost of lease-purchase payments resulting from revenue bonds, and \$2.3 million to begin repayment of \$24 million borrowed in the current year for deferred maintenance. Funding has also been increased by \$0.2 million for the increased cost of annuitant dental benefits.

Student Enrollment. CSU's current year enrollment is estimated at 253,100 FTE, which is 700 FTE more than budgeted, and represents an increase of 6,000 FTE over last year. For 1996-97, CSU is providing \$11.8 million to increase budgeted enrollments by 2,000 FTE for a total of 254,400. CSU will continue to accept additional students if they enroll.

Employee Compensation. CSU plans to allocate a total of \$68.3 million for employee compensation in 1996-97. Of this amount, \$3.9 million represents full-year costs of current year compensation increases effective September 1, 1995. The remaining \$64.4 million represents a total increase of about four percent; however, the specific allocations for cost-of-living, time-in-service, and performance increases will be determined by CSU and its employee unions through collective bargaining.

Deferred Maintenance. CSU plans to allocate \$9.6 million from its General Fund increase for deferred maintenance in order to address its most critical needs.

Instructional Equipment. CSU plans to allocate \$4.5 million for this purpose in order to preserve and enhance its instructional quality.

Price Increase. CSU plans to allocate \$3.5 million for price increases to fund inflationary increases in non-salary goods and services.

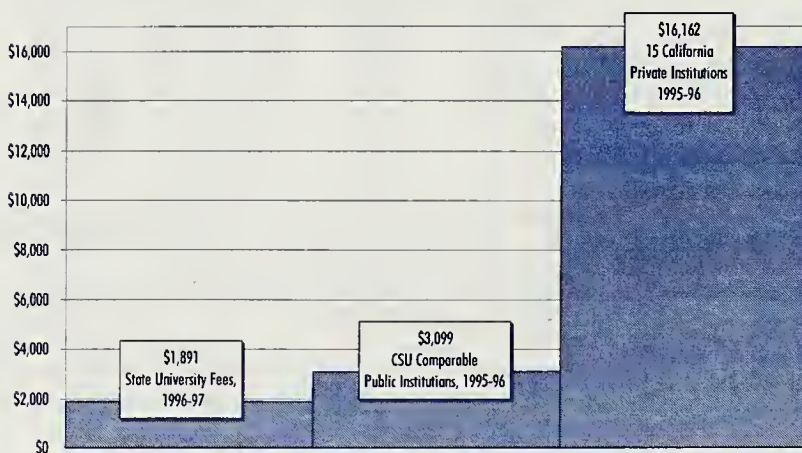
Developing Campuses. Tremendous progress has been achieved with the opening in fall 1995 of the new campus at Monterey Bay. This new campus will continue CSU's tradition of excellence, and will provide an enriched environment through the use of alternative instructional methods and new technologies. CSU plans to allocate a total of \$3.5 million to continue development at Monterey Bay, as well as at San Marcos and the California Maritime Academy.

Student Fees. For the second consecutive year, the budget provides funds to avoid an increase in mandatory systemwide student fees. CSU's proposed fee level of \$1,891 compares very favorably with the 1995-96 average of \$3,099 at 15 public institutions used for salary comparisons (see Figure HIED-B).

Educational Technology and Telecommunications. In order to reap the benefits from such technological advances as shared libraries, distance learning, and mediated instruction, CSU is committed to establishing an effective infrastructure for information technology.

FIGURE HIED-B

California State University
Comparison of Resident Fee and Tuition Levels
at Comparable Public Universities and California Private Institutions



This infrastructure requires resources in both capital construction and ongoing operations (i.e., wires, cables, equipment, technical standards and training, and support). The budget includes capital outlay projects to help build the telecommunications infrastructure, and reflects allocations within the operating program to further the development of technologically-based services and programs.

Capital Outlay. Included within the proposed budget is \$150 million from proposed General Obligation bond funds to support the need for construction and renovation of classrooms, laboratories, and libraries as well as projects to update infrastructure on campuses.

CALIFORNIA COMMUNITY COLLEGES

Total funding for 1996-97 is \$129.4 million more than the amount provided in 1995-96, which represents a 3.3-percent increase. Included in the expenditures proposed for 1995-96 is an additional \$70 million of one-time spending. The budget also includes backfills for property

tax shortfalls as discussed below. Therefore, the increase in funding for ongoing programs is \$199.4 million more than in 1995-96 or 5.3 percent.

These increases provide the resources for districts to address the Administration's policy objectives for the community colleges which include: protecting the state's facilities by reducing the backlog of deferred maintenance; investing in high technology to improve instructional quality and student services; encouraging distance learning and new teaching methods; and expanding college access for all to ensure a well-trained, competent work force capable of competing in the job market of the next century.

The budget also ensures California's community colleges continue to be the most affordable higher education system in the nation, regardless of income level. Student fees remain at \$13 per unit which is the lowest in the nation. Figure HIED-C compares California's annual enrollment fees nationwide for 1995-96. Additionally, because the number of financially needy students has

increased, the budget includes funds to offset the associated fees waived for those students.

As Table HIED-3 shows, total funding for the California Community Colleges in 1996-97 is \$4.0 billion. Figure HIED-D shows the funding sources and their proportionate contribution to the colleges from 1994-95 through 1996-97.

The following adjustments will be proposed through current year legislation from additional Proposition 98 funds available to meet the revised levels of the respective guarantees:

✦ \$14.4 million to fully backfill the declines in past year and estimated current year property taxes since the 1995-96 Budget Act estimates.

✦ \$70 million for one-time uses, of which 75 percent is proposed for FTES-based block grants to address high-priority instructional equipment, technology, and library material replacement, and 25 percent for deferred.

TABLE HIED-3

Significant Revenue Sources for Community Colleges

(Dollars in Millions)

| Source of Funds | 1990-91 | 1991-92 | 1992-93 | 1993-94 | 1994-95 ^{1/} | 1995-96 ^{2/} | 1996-97 ^{2/} | Change from 1995-96 | |
|----------------------|-----------|-----------|-----------|-----------|-----------------------|-----------------------|-----------------------|------------------------|---------|
| | | | | | | | | Dollars | Percent |
| State General Fund | \$1,792.7 | \$1,799.5 | \$1,641.6 | \$1,279.2 | \$1,323.0 | \$1,507.9 | \$1,608.7 | \$100.8 | 6.7% |
| Lottery Fund | 97.1 | 75.8 | 85.5 | 94.2 | 100.7 | 101.6 | 101.6 | 0.0 | 0.0% |
| Local Property Taxes | 791.1 | 831.3 | 1010.3 | 1278.5 | 1332.0 | 1348.1 | 1356.9 | 8.8 | 0.7% |
| Student Fees | 72.0 | 82.3 | 122.6 | 186.9 | 174.9 | 164.6 | 163.7 | (0.9) | -0.5% |
| Other State Funds | 6.5 | 5.2 | 6.5 | 5.5 | 7.3 | 6.6 | 6.8 | 0.2 | 3.2% |
| Federal Funds | 126.4 | 120.0 | 118.5 | 136.3 | 146.1 | 146.1 | 146.1 | 0.0 | 0.0% |
| Local Miscellaneous | 415.5 | 433.6 | 472.2 | 555.9 | 553.4 | 584.9 | 605.2 | 20.4 | 3.5% |
| Local Debt Service | 6.7 | 5.0 | 4.2 | 2.8 | 1.7 | 1.7 | 1.7 | 0.0 | 0.0% |
| Total Revenue | \$3,307.9 | \$3,352.7 | \$3,461.4 | \$3,539.4 | \$3,639.1 | \$3,861.4 | \$3,990.8 | \$129.4 | 3.3% |

^{1/} 1994-95 General Fund includes proposed \$5.0 million from current year legislation.

^{2/} Estimated. 1995-96 General Fund includes proposed \$79.4 million from current year legislation.

maintenance projects based on statewide priorities.

The following ongoing adjustments are proposed for the general apportionment and other programs for 1996-97:

- ✦ \$91.5 million to fund a full statutory COLA of 3.45 percent for general apportionments and Basic Skills.
- ✦ \$38.2 million for full statutory growth in enrollments based on the expected 1.46-percent change in adult population for both general apportionments and Basic Skills.
- ✦ \$10 million for additional growth in enrollments targeted to underserved areas where new instructional centers have been completed.
- ✦ \$4 million for increased financial aid, plus an additional \$360 thousand for financial aid-related administration.
- ✦ \$17.8 million for increased lease-revenue bond payments necessary for Public Works Board-financed capital improvements.

Capital Outlay. Included within the proposed budget is \$120 million from proposed General Obligation bond funds to support the need for construction, renovation, and expansion of classrooms, laboratories, libraries, and equipment, as well as projects to update infrastructure on campuses.

STUDENT FINANCIAL AID

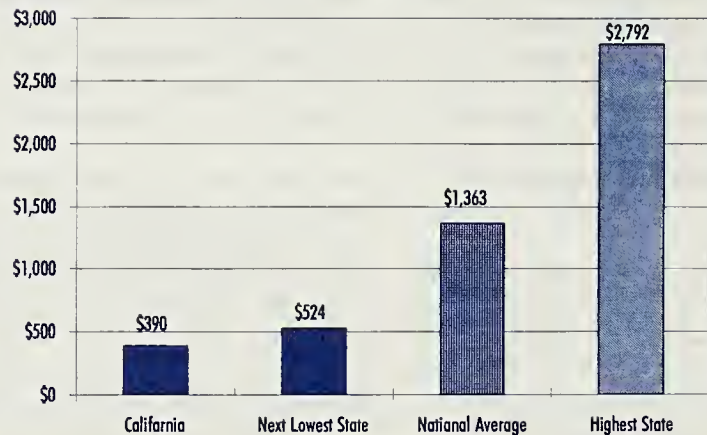
California's Master Plan for Higher Education is based on three principles: (1) high-quality educational programs, (2) open access for all who meet specified entrance criteria, and (3) affordability. Until

the severe fiscal constraints of the early 1990s, the State had sufficient resources to pursue the goal of affordability through a policy of charging all students fees which were substantially lower than comparable institutions.

Beginning in the early 1990s, the state's fiscal constraints forced a difficult policy choice: either severely cut back access or compromise quality, in order to continue a policy of providing deep subsidies to all, irrespective of ability to pay, or require those who could afford to pay higher fees to do so, while providing additional financial aid for those who could not, in order to maintain quality and preserve open access. The Administration chose the

FIGURE HIED-C

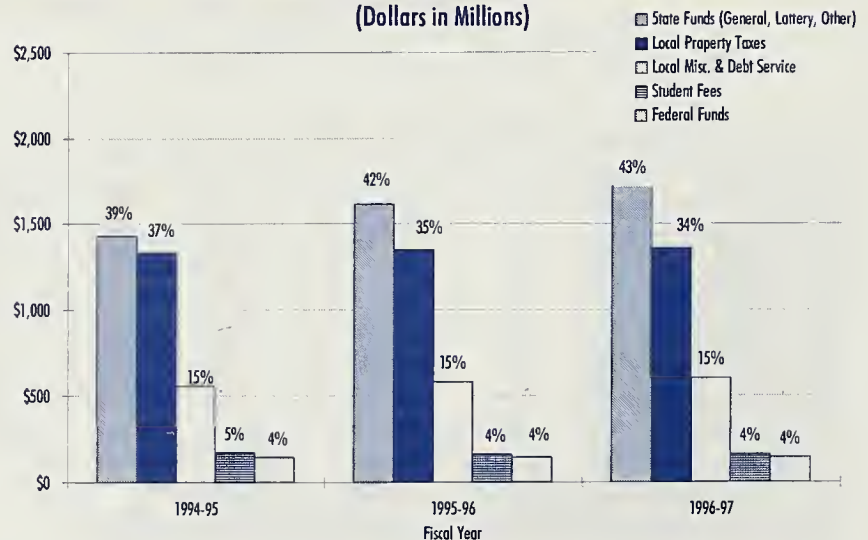
Resident Tuition and Required Fees (Average Annual Fees) 1995-96



Source: Washington State Higher Education Coordinating Board

FIGURE HIED-D

Revenue for Community Colleges Source of Revenues (Dollars in Millions)



latter course, recasting affordability in terms of ability to pay. By allowing student fees to increase, the state was able to provide for more faculty, students, and financial aid than would otherwise have been possible.

Specifically, the Administration has maintained its commitment to keep higher education affordable by providing significant increases in student financial aid (See Table HIED-4). Since 1990-91, the funding of financial aid from new fee revenue has increased by \$162 million, and by \$196 million from the General Fund; the combined total has more than doubled, increasing from \$282 million to \$639 million. Currently, about 56 percent of UC students and 44 percent of CSU students receive financial aid.

Cal Grant Program. The Cal Grant A and B programs are proposed to increase by \$10 million to raise the maximum award amount for new grant recipients selecting nonpublic institutions. This funding will increase the maximum award amount for new recipients from \$5,250 to approximately \$7,100, an increase of \$1,850. With this increase the new awards will cover about 45 percent of the average tuition for Cal Grant recipients attending independent institutions. Students receiving this higher level of award will continue to receive the higher level in future years.

In addition, the budget includes increases in the Cal Grant program of \$3.9 million in 1995-96 and \$5.3 million in 1996-97 to maintain grant funding for current recipients. These additional funds are needed

because more Cal Grant recipients are staying in school thereby increasing total program costs.

It should be emphasized that students also receive financial aid from federal, private, and other sources in the form of grants, work study, and loans. Altogether, students in California's public and private higher education institutions received about \$3.7 billion in financial aid in 1994-95, an increase of \$1.3 billion (56 percent) in just the four years since 1990-91. The total amount is expected to increase by several hundred million dollars in 1995-96 and again in 1996-97. ☞

TABLE HIED-4

**Financial Aid Grants:
General Fund and Fee Revenue Funded
(Dollars in Thousands)**

| Institution/Fund Source | 1990-91 | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 ^{1/} |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------------|
| University of California | \$80,335 | \$105,297 | \$124,036 | \$168,735 | \$175,655 | \$178,949 | \$180,187 |
| General Fund | 47,253 | 56,460 | 53,834 | 65,423 | 53,743 | 54,136 | 54,136 |
| Fee Revenue ^{2/} | 33,082 | 48,837 | 70,202 | 103,312 | 121,912 | 124,813 | 126,051 |
| California State University | 32,117 | 46,493 | 84,989 | 94,591 | 109,018 | 114,525 | 116,276 |
| General Fund | 32,117 | 46,493 | 47,896 | 48,227 | 47,656 | 47,680 | 47,680 |
| Fee Revenue | — | — | 37,093 | 46,364 | 61,362 | 66,845 | 68,596 |
| Community Colleges ^{2/} | | | | | | | |
| General Fund | 12,021 | 16,849 | 28,291 | 51,540 | 74,799 | 93,307 | 97,320 |
| Student Aid Commission | | | | | | | |
| General Fund | 157,032 | 168,975 | 142,831 | 207,600 | 222,878 | 234,442 | 245,127 |
| Total | \$281,505 | \$337,614 | \$380,147 | \$522,466 | \$582,350 | \$621,223 | \$638,910 |
| General Fund | 248,423 | 288,777 | 272,852 | 372,790 | 399,076 | 429,565 | 444,263 |
| Fee Revenues | 33,082 | 48,837 | 107,295 | 149,676 | 183,274 | 191,658 | 194,647 |

^{1/} Reflects no increases in mandatory systemwide fees for the University of California and California State University.

^{2/} Reflects budgeted amounts.

Health and Welfare

The 1996-97 Governor's Budget for Health and Welfare continues and strengthens the Administration's commitment to structural reforms and reflects the anticipated impact of federal welfare reform. The budget provides new and redirected funding for programs which promote personal responsibility and prevention, and maintains access to critical services for California's neediest residents.

1996-97 HEALTH AND WELFARE EXPENDITURE LEVELS

Proposed 1996-97 Health and Welfare expenditures total \$42.9 billion in combined State and federal funds, including funding for approximately 39,500 personnel years.

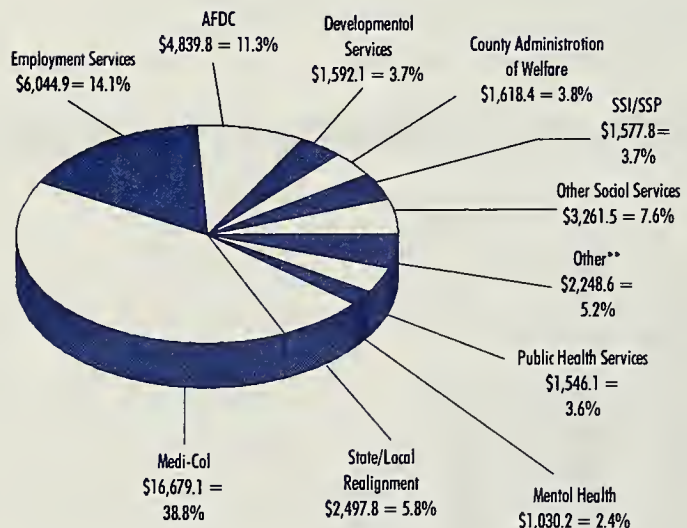
The budget assumes enactment of anticipated federal welfare reform legislation and enactment of state legislation to make permanent \$1.2 billion in prior year program reductions which otherwise would have been temporary. Included in these permanent reductions are prior year welfare grant reductions

and elimination of automatic cost-of-living increases for health and welfare programs.

The allocation of funding among the various programs is shown in Figure HW-A. The caseload totals underlying much of the expenditure level are shown in Table HW-1.

FIGURE HW-A

Health and Welfare Proposed 1996-97 Expenditures* All Funds (Dollars in Millions)



* Includes support and local assistance.

** Reflects allocations for the Health and Welfare Agency, Departments of Aging, Alcohol and Drug Programs, Health and Welfare Data Center, Office of Statewide Health Planning and Development, Rehabilitation, Emergency Medical Services Authority, Governor's Advisory Committee on Child Care, Community Services and Development, State Council and Area Boards on Developmental Disabilities, California Medical Assistance Commission, State support for the Departments of Health Services and Social Services. Also included are the costs

TABLE HW-1

Major Health and Welfare Program Caseloads

| | 1995-96 Revised | 1996-97 | Change |
|--|--------------------|------------|------------|
| 1 California Children's Services ^{a/} (treatment of physical handicaps) | 136,520 | 140,650 | 4,130 |
| 2 Medi-Cal Certified Eligible (provision of medical services to low income eligibles) | 5,533,600 | 5,634,400 | 100,800 |
| 3 AFDC (assistance for deprived families with minor children) | 2,682,208 | 2,684,679 | 2,471 |
| 4 SSI/SSP (support for aged, blind and disabled) | 1,036,374 | 1,062,552 | 26,178 |
| 5 In-Home Supportive Services | 185,143 | 191,450 | 6,307 |
| 6 Child Welfare Services ^{b/} | 153,924 | 160,626 | 6,702 |
| 7 Foster Care | 70,148 | 72,513 | 2,365 |
| 8 Non Assistance Food Stamps ^{c/} | 445,452 | 454,733 | 9,281 |
| 9 State Hospitals | | | |
| a. Mental Health clients ^{d/} | 3,564 | 4,281 | 717 |
| b. Developmentally disabled clients ^{d/} | 4,457 | 3,857 | -600 |
| 10 Community Developmentally Disabled Services | | | |
| a. Regional Centers ^{d/} | 129,230 | 136,565 | 7,335 |
| b. Work activity program ^{d/} | 20,051 | 20,061 | 10 |
| 11 Vocational Rehabilitation ^{e/} | 18,000 | 32,000 | 14,000 |
| 12 Alcohol Programs ^{f/} | 296,800 | 305,700 | 8,900 |
| 13 Drug Programs ^{f/} | 215,500 | 222,000 | 6,500 |
| 14 Employment Services (placements) ^{g/} | 211,158 | 190,042 | -21,116 |
| 15 Unemployment Services (total weeks claimed) | 25,431,000 | 23,403,000 | -2,028,000 |

a/ This figure represents unduplicated quarterly caseload in the CCS Program.

b/ Represents Emergency Response, Family Maintenance, Family Reunification and Permanent Placement service areas on a monthly basis. Due to transfers between each service area a case may be reflected in more than one service area.

c/ Represents an average monthly unduplicated caseload as reported in the client data system.

d/ Represents the average annual caseload.

e/ Represents the year-end population upon which the Budget is based.

f/ Represents the number of new plans written each year. New plans are down due to the reduction in federal funding for 1995-96. However, additional federal funds are expected to be available in 1996-97.

g/ Number of participants served during the fiscal year.

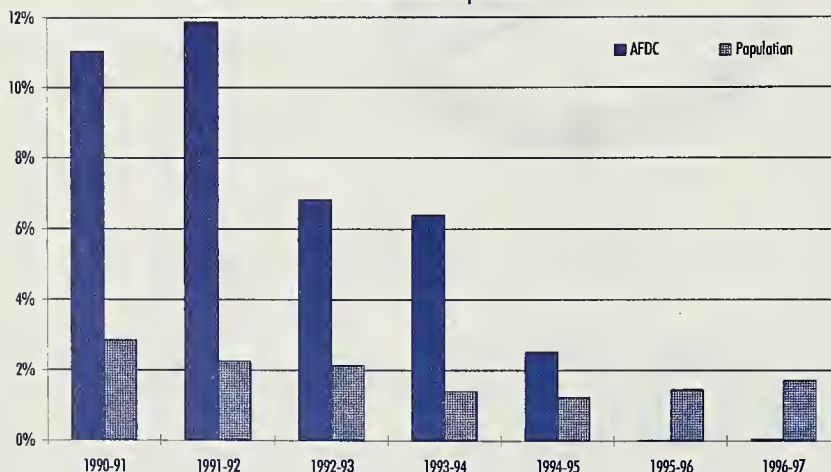
h/ Estimates reflect a 1996-97 reduction in federal grant allocations.

DEPARTMENT OF SOCIAL
SERVICESAID TO FAMILIES WITH DEPENDENT
CHILDREN (AFDC)

AFDC is California's largest welfare program, providing cash assistance to help families meet basic needs (shelter, food, clothing) when they are unable to meet those needs on their own. Eligible families must include a child under age 18 who is deprived of parental care and support due to the absence, death, incapacity or unemployment of one or both parents. In addition, families must meet income and asset eligibility requirements. There are two categories of AFDC: the AFDC-Family Group (AFDC-FG), which consists mainly of single parents with dependent children; and, a second category; the AFDC-Unemployed Parent (AFDC-U), which consists of two-parent households with at least one unemployed parent.

Caseload Trends. After a period of unprecedented AFDC caseload growth peaking at nearly 12 percent during the early 1990s, AFDC caseload growth is now projected to be nominal (see Figure HW-B). Several factors contribute to this virtual flattening of the caseload. The Administration has implemented several policy reforms over the past five years which promote job skills and encourage education, increase child care services and dramatically increase financial incentives encouraging AFDC recipients to work. These policy reforms, coupled with improved private sector economic performance reflected in an increase in employment, have assisted AFDC recipients in finding work. In addition, other Administration reform policies, such as enhanced fraud prevention efforts, have resulted in caseload decreases.

FIGURE HW-B

Annual Percentage Change in AFDC Caseload
and California Population

There also has been a decrease in births in California and the birth rate for teenagers, ages 15 to 19, has decreased by six percent in the three-year period from 1991 to 1994.

AFDC-Family Group (AFDC-FG).

Within the AFDC caseload, AFDC-FG cases constitute approximately 84 percent of the total caseload. In May 1995, the AFDC-FG caseload was projected to increase by 2.4 percent in 1995-96. Now, the AFDC-FG caseload is projected to decrease by 0.1 percent. Caseload is down each month from June to September 1995 compared to the same months in 1994. Such negative caseload changes have not been experienced in nearly 15 years. In 1996-97, the AFDC-FG caseload is projected to increase by only 0.1 percent.

AFDC-Unemployed (AFDC-U).

AFDC-U cases constitute approximately 16 percent of total AFDC cases. In general, the size of the AFDC-U caseload is determined by the health of the State's economy. The number of two-parent families receiving aid tends to grow sharply during recessionary times and decline with economic recovery. In May 1995, the AFDC-U caseload was projected to increase by 1.7 percent in 1995-96. Now, this caseload is projected to increase by 0.6 percent. In 1996-97, the AFDC-U caseload is projected to decrease by 0.3 percent.

PROGRAM CHANGES

1996-97 4.5-Percent Grant Reduction. After the grant reductions included in previous budgets are implemented (the 2.3 percent, 4.9 percent and regional grants), California will still have one of the highest grant levels in the nation: seventh highest among the 50 states and the second highest grant among the ten most populous states (see Table HW-2). The Governor's Budget proposes to reduce welfare

cash grants by 4.5 percent effective July 1, 1996. This 4.5 percent reduction changes the cash grant level for a family of three in Region 1 from \$565 per month to \$540 per month, and in Region 2 from \$538 to \$514. California's payment level would be the ninth highest among the 50 states after these reductions, but still the second highest among the ten most populous states.

State Policy Changes in 1995-96.

The passage of federal legislation will allow California to implement several reforms included in the Budget Act of 1995. These include:

✦ *Grant Reductions:* The Budget Act of 1995 included two AFDC cash grant reductions, the 2.3 percent grant reduction enacted as part of the Budget Act of 1994, and an additional 4.9-percent reduction enacted as part of the Budget Act of 1995. Both reductions are assumed to be effective March 1, 1996. The combined reduction will change the cash grant level for a family of three from \$607 per month to \$565 per month. In addition, the Budget Act of 1995 established Regional Grants which divide the state into two regions; Region 1 includes counties with larger populations and a higher cost of living, and Region 2 includes counties with smaller populations in which average monthly rent costs are below \$400. Effective March 1, 1996, the grant levels in Region 2 counties will be reduced by an additional 4.9 percent. The cash grant level for a family of three in Region 1 will be \$565 per month while the Region 2 cash grant level will be \$538 per month.

✦ *Maximum Family Grant:* The Maximum Family Grant caps grant levels by not allowing grant increases for families when

children are conceived while either of the parents are receiving AFDC. In order to receive increased aid for additional children, a family must be off aid at least 24 months before reapplying. Grant savings will begin to be realized by February 1, 1997.

✦ *Teen Pregnancy Disincentive:*

Chapter 307, Statutes of 1995 (AB 908), authorized a Teen Pregnancy Disincentive requiring unwed teen parents to live at home as a condition of receiving aid, unless Child Protective Services determines that the parents' home is abusive. The legislation is intended to provide adult supervision of the teenage parent and child as well as discourage teens from becoming pregnant as a means of gaining independence by removing any financial incentive.

✦ *Barring Sponsored Immigrants from AFDC:*

Under current federal law, those who sponsor immigrants are required to support these individuals for five years after their entry into the United States. Chapter 148, Statutes of 1994, authorized the State to bar sponsored immigrants from AFDC for five years if enabling federal legislation specifically allowed the State to do so. By excluding these legal immigrants from aid, and consistent with impending federal law change, sponsors would be held to their financial commitments. Under federal welfare reform, the State is given the option of aiding all legal immigrants. However, the federal legislation does not specifically allow or prevent the State from barring sponsored immigrants. Therefore, the State may implement its barring sponsored immigrants policy, but only after an additional state law is enacted revising the wording of

the original legislation. The Governor's Budget assumes this legislation will be enacted, allowing for the barring of sponsored immigrants beginning July 1, 1996.

Federal Welfare Reform. Federal welfare reform includes program changes in welfare not previously enacted by the State. Costs and savings resulting from these changes are reflected in the Governor's Budget:

✦ The Governor's Budget assumes California's welfare block grant allocation is based on its Federal Fiscal Year (FFY) 1995 AFDC allocation. This funding level will remain constant for five years without regard to changes in caseload. The first quarter of fiscal year 1995-96 was funded under the then-existing Title IV-A program, while the remaining three quarters will be funded by the welfare block grant.

✦ By implementing the policy changes associated with the welfare reform block grant and using FFY 1995 as the base year, welfare block grant funding will exceed the expected federal funding level for programs under current law, resulting in General Fund savings of \$82 million in 1995-96 and \$299 million in 1996-97.

✦ Federal welfare reform eliminates Individual Functional Assessments (IFA) in determining a child's eligibility for the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program. This change in SSI/SSP eligibility produces program savings; however, it also generates offsetting costs in welfare. A majority of children receiving SSI/SSP due to IFAs were eligible for, but did not receive welfare

because they received SSI/SSP benefits. The Governor's Budget assumes that 75 percent of the children no longer eligible for SSI/SSP due to this eligibility change will now receive aid under the welfare block grant.

✦ Under current law, the State recovers previously expended AFDC funds when back child support payments are collected. Once the State is repaid all previous welfare costs, the family is paid the balance. Federal welfare reform reverses the order of payment by paying families first and then the State.

For a further discussion of federal block grants, see the Federal Block Grant Chapter and later discussions in this Chapter.

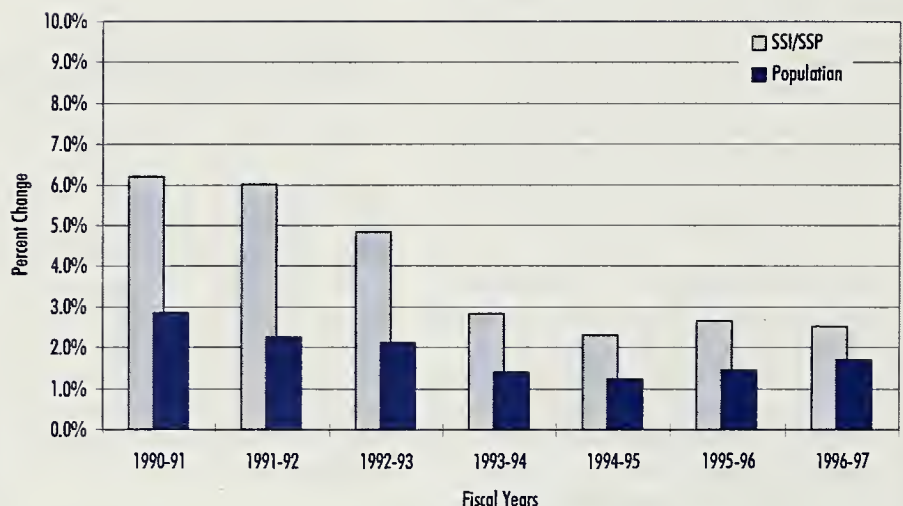
Employment Assistance—Greater Avenues for Independence (GAIN). The Governor's Budget includes an augmentation of \$6 million General Fund for the program to backfill a loss of enhanced federal funding. Also, the Department of Social Services is implementing the reforms contained in Chapter 306, Statutes of 1995 (AB 1371) which are designed to strengthen the program's employment focus and improve cost effectiveness.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP)

The SSI/SSP program provides cash grant assistance to eligible aged, blind and disabled persons who meet the program's income and

FIGURE HW-C

Annual Percentage Change in SSI/SSP Caseload and California Population 1990-91 through 1996-97



resource requirements. This program is administered by the federal Social Security Administration which determines eligibility, computes grants, and disburses the combined monthly payment to recipients. California augments the federal SSI payment with a state supplemental payment. The combined SSI/SSP grant provides assistance for the recipient's basic needs and living expenses.

Caseload Trends. The Governor's Budget proposes \$1.6 billion General Fund to assist approximately 1,062,600 persons eligible for the SSI/SSP program. The caseload is projected to increase by 2.5 percent during 1996-97. This caseload projection does not reflect any policy changes resulting from federal welfare reform measures. The SSI/SSP caseload has increased by an average of 3.5 percent annually since 1990-91, while California's population has increased by an average of 1.7 percent annually over the same period. Figure HW-C provides a comparison of the annual percentage change in California's SSI/SSP caseload and California's population. Two-thirds of the SSI/SSP caseload consists of disabled persons; 31 percent are aged; and, two percent are blind.

Table HW-2 provides a comparison of SSI/SSP payment standards for California and the nine other most populous states. As this table shows, California's SSI/SSP payment standards are the highest among this group. Nationally, California has the third highest SSI/SSP payment standard among the 50 states, after Alaska and Connecticut. In FFY 1994, California had 12 percent of the nation's population, but accounted for 16 percent of all SSI/SSP recipients, 21 percent of SSI/SSP expenditures, and 64 percent of all SSP expenditures nationwide.

1996-97 Program. In 1996-97, the budget reflects no additional reductions to the SSI/SSP payment standards. In addition, the budget reflects a federal cost-of-living adjustment (COLA) to the SSI portion of the grants. The federal COLA, effective January 1, 1997, will increase the SSI portion of the grant by an estimated 2.9 percent.

1995-96 Grant Reductions. The continuing growth in this entitlement program necessitated the following program modifications in 1995-96. As noted above, California pays the highest SSI/SSP payment benefits among the ten most populous states. Further, the number of people receiving SSI/SSP benefits in California has increased by 23 percent since 1990-91, more than double the State's population rate

increase of 11 percent during the same period. These benefit levels and rapid caseload growth have pushed the cost of the SSI/SSP program to a point California can no longer sustain.

In 1995-96, the Administration and the Legislature agreed to a 4.9-percent across-the-board benefit reduction, and a 4.9-percent regional reduction to grants for those recipients in counties in which average monthly rent costs are below \$400 as reported in the 1990 Census for the lowest quartile. (Those in Non-medical Out-of-Home Care, Restaurant Meal Allowance category, and Title XIX medical facility living arrangements are exempted.) Anyone whose grant is eliminated because of other income remains eligible for Medi-Cal at no

TABLE HW-2

Comparison of Payment Standards for the
Ten Most Populous States

| States ^{1/} | SSI/SSP Payment Standards ⁵ | | | | AFDC ⁶ Maximum Aid Payment for Family of Three |
|------------------------------|--|---------|-------------|---------|---|
| | Independent Living Arrangement | | | | |
| | Aged and Disabled | | Blind | | |
| | Individuals | Couples | Individuals | Couples | |
| California ^{5/6/} | \$596 | \$1,066 | \$649 | \$1,240 | \$565 |
| Texas ^{4/} | 458 | 687 | 458 | 687 | 188 |
| New York | 544 | 790 | 544 | 790 | 577 |
| Florida ^{2/} | 458 | 687 | 458 | 687 | 303 |
| Pennsylvania | 490 | 736 | 490 | 736 | 403 |
| Illinois ^{2/3/} | 458 | 687 | 458 | 687 | 367 |
| Ohio ^{2/3/} | 458 | 687 | 458 | 687 | 341 |
| Michigan | 472 | 715 | 472 | 715 | 459 |
| New Jersey | 489 | 712 | 489 | 712 | 424 |
| North Carolina ^{2/} | 458 | 687 | 458 | 687 | 272 |

^{1/} In descending order by state population.

^{2/} These states do not supplement SSI for an independent living arrangement but provide other supplements.

^{3/} These states do not have a standard SSP allowance. Payments are based upon individual needs and circumstances.

^{4/} State does not provide optional supplementation.

^{5/} For California, SSI/SSP Payment Standards reflect a 4.9 percent reduction effective 4/96 to the SSI/SSP Standard. Region 2 Payment standards (not shown) are proposed to be reduced an additional 4.9 percent on 4/96. SSI/SSP levels for all other states are as of 1/1/95.

^{6/} For California, AFDC reflects a 2.3 percent and 4.9 percent reduction effective 3/96. Region 2 maximum aid payments (not shown) are proposed to be reduced an additional 4.9 percent on 3/96. AFDC levels for all other states as of 12/94.

cost to the individual. The budget assumes that federal legislation eliminating the current maintenance of effort requirement will have been enacted in time for these payment standard reductions to commence on April 1, 1996.

These reductions are applied to the combined SSI and SSP grant. Savings, however, would be applied to the SSP portion. As in January 1997, there will be a federal COLA applied to this program effective January 1, 1996. After adding the 1996 and 1997 federal COLAs, the combined SSI/SSP grant for aged and disabled individuals would be \$610 in Region 1 and \$582 in Region 2, a reduction of 0.6 percent and 5.2 percent, respectively, from the November 1995 level of \$614. Similarly, the January 1997 combined grant for aged or disabled couples would be \$1,087 in Region 1 and \$1,035 in Region 2, a reduction of 1.4 percent and 6.1 percent, respectively, from the November 1995 level of \$1,102.

Welfare Reform. The budget assumes that federal welfare reform legislation revises federal eligibility criteria for SSI/SSP by barring current noncitizen recipients from SSI/SSP as of January 1, 1997. In addition, this legislation generally bars aliens entering the country after the date of enactment from receiving SSI/SSP for five years. After five years, these individuals would be able to apply for SSI/SSP; however, the resources of their sponsors will be factored into the grant calculation until the applicants become U.S. citizens. This will result in reduced costs of \$95.8 million in 1996-97. Because the federal government determines the eligibility criteria for SSI/SSP, no changes to state law are required to implement this change or to realize these savings.

Additionally, the budget assumes that federal welfare reform legislation will eliminate the individualized functional assessment (IFA) as a basis for eligibility under SSI/SSP. The IFA is used to determine if an impairment limits a child from performing activities appropriate for his or her age. Even after elimination of the IFA, children with physical disabilities continue to be eligible to receive benefits. Again, because the federal government determines the eligibility criteria for SSI/SSP, no changes to state law are required to implement this change or to realize these savings.

For a further discussion see the *Federal Block Grant* section of the Budget Summary.

CHILDREN'S PROGRAMS

Adoptions Initiative. The Governor's Budget provides \$7 million to improve the statewide adoptions system by removing barriers that keep children in long-term foster care and impede public agency productivity. Efforts to increase productivity will include training and technical assistance to county agencies, systems improvements at the state and local levels, and the promotion of public/private partnerships for increased adoptions opportunities for children in long-term foster care. Individual county performance agreements also will be established with new program funding linked to increased adoptions. The goal of the Governor's Adoption Initiative is to find adoptive families for an additional 2,000 children per year who would otherwise be without families or in long-term foster care.

Child Support Court Task Force Initiative. Early establishment of support orders is critical to meeting a child's basic financial needs and decreasing the likelihood the child will become an AFDC recipient. Full

implementation of the Statewide Automated Child Support System (SACSS) in 1996-97 will greatly assist the prompt and consistent collection of child support. Crowded court calendars and the current system for establishing child support orders by superior court judges tend to cause delays in establishing these orders. Therefore, the Child Support Court Task Force was established to review the current process and make recommendations for improving the State's system for establishing and enforcing child support orders. Funding for implementing these recommendations is included in the Governor's Budget.

The recommendations include the use of commissioners or referees to hear district attorney child support cases and maintenance of a child support Information and Assistance Center. It is expected the use of a commissioner/referee system will decrease the burden on trial courts by removing child support cases from judges' calendars. Streamlined court procedures and forms to create a more uniform and easily accessible system will be implemented.

Counties will be provided with funding to meet increased caseloads and federal regulations. The Governor's Budget includes \$19 million (\$6.5 million General Fund) for the first six months of implementation, which is expected to be offset by AFDC General Fund recoupment of \$2.1 million and federal fund recoupment of \$2.2 million. Counties will additionally recoup previously expended AFDC funds and will receive incentives for child support collections. Savings are expected to fully offset costs during the first full year of implementation.

Child Protection Block Grant. Federal Welfare Reform legislation will have included block grant

federal funding for the Child Welfare Services, Family Preservation, Independent Living, and the Adoptions programs. In FFY 1996, the Child Protection Block Grant provides approximately \$1.9 billion nationwide for child protection programs, including child welfare services, family preservation and family support services. California's share of the Child Protection Block Grant for state fiscal year 1996-97 is anticipated to be \$419.7 million. This represents a decrease compared to the federal funding California would have received under prior federal funding ratios. The Governor's Budget provides \$31.6 million to make up the State's share of the federal funding reduction in the Child Welfare Services, Family Preservation, Independent Living, and the Adoptions programs.

AUTOMATION PROJECTS

The Health and Welfare Agency Data Center (HWDC) is the project manager for four major automation projects. These systems will assist in the administration of the AFDC, Child Welfare Services (CWS) and Child Support programs, and will further the Administration's goals of providing quality services as efficiently as possible while reducing long-term costs.

Statewide Automated Welfare System (SAWS). SAWS automates welfare eligibility processes and administrative functions for the AFDC, Food Stamps, Medi-Cal, Foster Care, Refugee and County Medical Services programs. To provide flexibility to counties, the Budget Act of 1995 changed SAWS from a single system to multiple systems consortia, permitting counties with like business needs to collaborate on system planning, development, implementation, and maintenance.

By the end of the current year, all 14 original Interim SAWS (ISAWS) counties will have fully implemented ISAWS. The Governor's Budget proposes \$15.8 million (\$10 million General Fund) for expanding ISAWS to 20 new counties and for five of these counties to be fully implemented by the end of 1996-97. The Governor's Budget also proposes \$14.4 million (\$4.5 million General Fund) for the continued development and implementation of the Los Angeles Eligibility Automated Determination, Evaluation and Reporting System (LEADER), and \$12.8 million (\$6.5 million General Fund) for planning and procuring vendor services to develop and implement both the Welfare Case Data System (WCDS) and the fourth unidentified consortium.

Statewide Fingerprint Imaging System (SFIS). To reduce multiple case fraud in the AFDC and Food Stamp programs, the Governor's Budget includes \$11.6 million (\$5.8 million General Fund) for development and implementation of SFIS and \$11.7 million (\$5.6 million General Fund) in AFDC savings. Beginning in January 1997, SFIS workstations will be installed in county welfare departments or branch offices.

Statewide Automated Child Support System (SACSS). Enforcement of child support orders will be simplified with full implementation of SACSS in all district attorneys' offices by February 1997. This statewide database will enable district attorneys to locate absent parents, share case information, enforce support orders across county lines, and more readily collect monthly child support payments. Automating collections of child support will help ensure children lead healthier, more productive lives and allow more families to avoid welfare dependency.

Child Welfare Services/Case Management System (CWS/CMS). CWS/CMS will automate tracking and reporting information for foster care and adoptions, and will assist more than 11,000 county and state staff in the delivery of Child Welfare Services to approximately 400,000 children per year. The Governor's Budget proposes \$65.7 million for development and case conversion. Delivery of CWS/CMS equipment and preliminary automation functions to the three pilot counties (Glenn, Los Angeles, and Santa Clara) began in September 1995. Statewide implementation of the base system is expected to be completed by January 1997; the full system will be completed by October 1997.

DEPARTMENT OF HEALTH SERVICES

MEDI-CAL

Medi-Cal, California's Medicaid program, is an entitlement program: any person who meets the eligibility criteria established by law is entitled to specifically defined health benefits. Except for a limited number of "state-only" services, Medi-Cal typically receives one-half of its funding through federal Social Security Act Title XIX appropriations, with the balance largely, but not exclusively, furnished by the State's General Fund. The federal reimbursement rate for California reflects one of the lowest federal Medicaid sharing ratios and is similar to 11 other states, including New York, Illinois, Massachusetts and New Jersey.

Congress is currently considering significant changes in the federal Medicaid program. The budget assumes no costs or savings based on the revised program as proposed in the federal MediGrant block grant

because this federal legislation is still being negotiated.

Expenditures. Major federal Medicaid expansions, beginning in

1986, increased annual Medi-Cal spending over 300 percent by 1993-94, as illustrated in Figures HW-D and HW-E. Consistent with the flattening of growth in the AFDC

caseload, sharp annual increases in Medi-Cal caseload and costs have yielded to significantly slower growth curves. In 1995-96, total expenditures for Medi-Cal local assistance are estimated to be \$16.5 billion (\$6.1 billion General Fund), representing a reduction of \$20.8 million General Fund cost in comparison with the 1995 Budget Act appropriation.

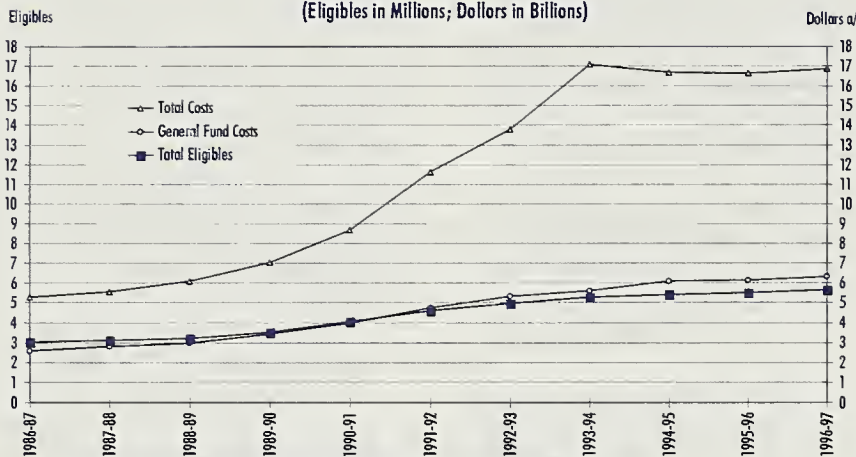
For 1996-97, Medi-Cal local assistance spending is projected to total \$16.7 billion (\$6.2 billion General Fund).

Financial comparisons which use total Medi-Cal funding since 1991-92 can be misleading because of donated funds and intergovernmental transfers used for supplemental payments to hospitals which serve a disproportionate share of Medi-Cal or other low-income patients. For 1995-96, this level of intergovernmental transfers has been reduced to \$725.7 million to comply with provisions of Chapter 120, Statutes of 1994 (AB 1040). This measure accelerated one quarter of FFY 1995 funding into 1994-95 to offset the hospital specific funding limitation contained in OBRA 1993. For 1996-97, these transfers return to the previously budgeted level of approximately \$1.1 billion, matched by a like amount from the federal government, for a total of \$2.2 billion in supplemental hospital funding. The return to the higher level of funding is based on shifting the payments back to an annualized payment schedule.

Some programs, such as the Personal Care Option that is allied with In-Home Supportive Services and local mental health programs, draw federal Title XIX funds through the Medi-Cal program, but their non-federal matching share appears in local budgets or in the budgets of other state agencies. This type of

FIGURE HW-D

**Growth of Medi-Cal Caseload and Costs,
1986-87 through 1996-97**
(Eligibles in Millions; Dollars in Billions)

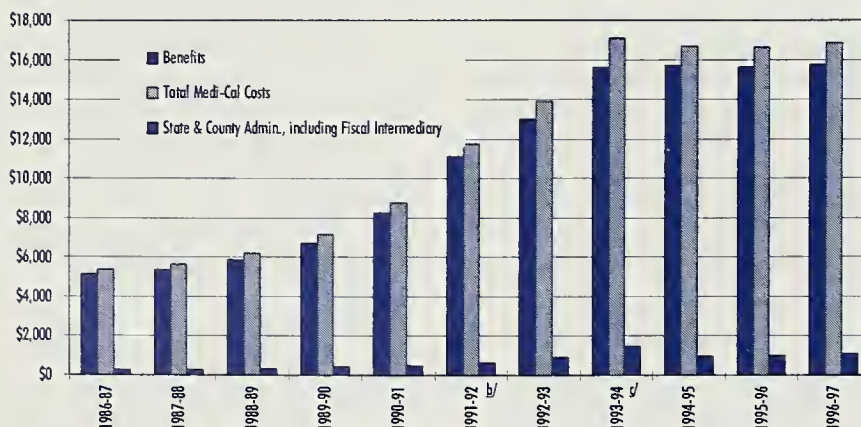


a/ Local assistance funds. Excludes \$2,199 million (\$977 million, General Fund) one-time addition for accrual accounting in 1991-92.

NOTE: 1995-96 and 1996-97 data are estimated. Total cost includes the effect of SB 855 intergovernmental transfers and county administrative claiming Federal recoveries.

FIGURE HW-E

**Growth of Medi-Cal Costs
1986-87 through 1996-97**
(Dollars in Millions; Total Funds^{a/})



^{a/} Includes total amounts projected for 1995-96 and 1996-97. Includes the effect of SB 855 intergovernmental transfers beginning in 1991-92 and county administrative claiming federal recoveries in 1992-93.

^{b/} In 1991-92 a one-time adjustment of \$2,199 million was made in moving Medi-Cal to accrual accounting. This additional appropriation is not shown here.

^{d/} 1993-94 includes federal funds of \$981 million for Medi-Cal Administrative Claims; the Health Care Financing Administration has disallowed most of these claims.

nonfederal Medi-Cal matching will exceed \$900 million in 1996-97 and is not included in the program totals shown above.

Caseload. Currently, one out of every six Californians is eligible for Medi-Cal. As indicated, revised projections show a slowing growth trend in Medi-Cal eligibles. For 1995-96, the average monthly eligibility is 5.5 million people based upon the most current data (see Figure HW-F). The projection in May 1995 for 1995-96 was

5.7 million people. The revised projection is 3.2 percent lower than the previous projection. Further, growth for 1996-97 is projected to be only 1.8 percent above 1995-96 levels. Table HW-3 shows federal Health Care Financing Administration (HCFA) eligibility and expenditure data from FFY 1994 for the ten most populous states. Table HW-4 shows the general eligibility thresholds for Medicaid as employed by the ten most populous states. The tables show that, despite California's recent recession, the State's Medi-Cal program continues to provide relatively high eligibility levels (second in percent of total population covered, and first in eligibility level as a percentage of the federal poverty level).

Benefits. Medi-Cal recipients are entitled to a full range of health services. The federal government requires states participating in Medicaid to provide a core of basic services which include: physician, nurse practitioner and nurse-midwife services; hospital inpatient and outpatient services; specified nursing home care; laboratory and X-ray services; home health care; and early and periodic screening, diagnosis and treatment services for children to age 21.

In addition, the federal government provides matching funds for 34

FIGURE HW-F

Average Monthly Medi-Cal Eligibles as a Percentage of California Population

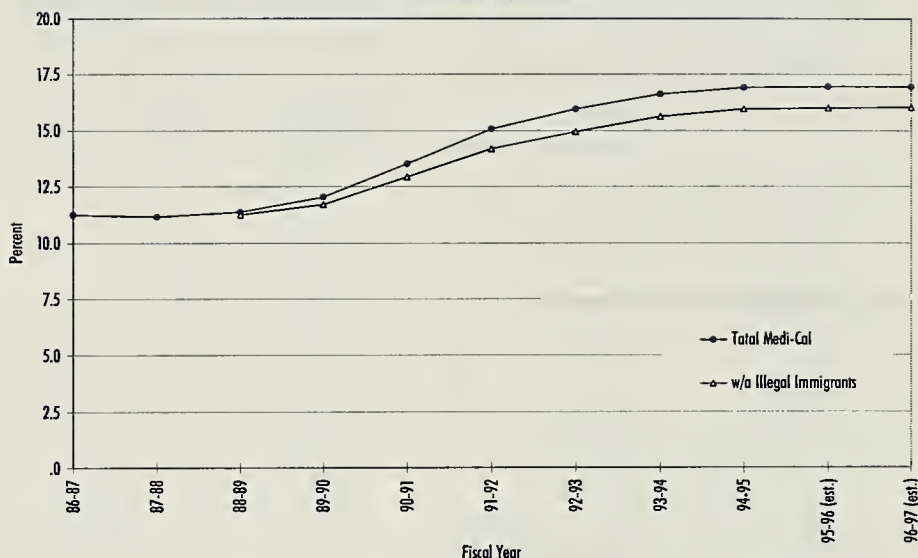


TABLE HW-3

Medicaid Provider Payments and Number of Recipients for the 10 Most Populous States, July 1994

| | Medicaid Provider Payments (Dollars in Millions) | | Medicaid Recipients (Data in Thousands) | |
|----------------|---|--------------------------|--|--|
| | Medicaid Payments FFY 1994* | Percent of U.S. Total | Number of Recipients FFY 1994* | Percent of Jurisdictions July 1994 Population |
| National Total | \$108,270.1 | 100.0 | 35,053 | 13.5 |
| California | 9,988.1 | 9.2 | 5,008 | 15.9 |
| Texas | 6,140.7 | 5.7 | 2,514 | 13.7 |
| New York | 18,730.6 | 17.3 | 2,908 | 16.0 |
| Florida | 4,266.2 | 3.9 | 1,727 | 12.4 |
| Pennsylvania | 4,224.0 | 3.9 | 1,255 | 10.4 |
| Illinois | 4,825.7 | 4.5 | 1,441 | 12.3 |
| Ohio | 4,995.0 | 4.6 | 1,523 | 13.7 |
| Michigan | 3,274.1 | 3.0 | 1,187 | 12.5 |
| New Jersey | 3,611.6 | 3.3 | 790 | 10.0 |
| North Carolina | 2,684.5 | 2.5 | 985 | 13.9 |

*Source: Health Care Financing Administration, November 1995
excludes state-only payments and eligibles

TABLE HW-4

**Medi-Cal Eligibility Levels for a Family
of Three in the 10 Most Populous States
AUGUST 1995**

| | AFDC Eligibility Level | Percent of Poverty | Medicaid MN Eligibility Level | Percent of Poverty |
|------------------|------------------------------|--------------------------|-------------------------------------|--------------------------|
| California | \$7,284 | 57.9 | \$11,208 | 89.0 |
| Texas | 2,208 | 17.5 | 3,204 | 25.4 |
| New York | 6,924 | 55.0 | 9,600 | 76.3 |
| Florida | 3,636 | 28.9 | 3,636 | 28.9 |
| Pennsylvania | 5,052 | 40.1 | 5,604 | 44.5 |
| Illinois | 4,404 | 35.0 | 5,904 | 46.9 |
| Ohio | 4,092 | 32.5 | — | — |
| Michigan | 6,612 | 52.5 | 6,804 | 54.0 |
| New Jersey | 5,316 | 42.2 | 7,092 | 56.3 |
| North Carolina | 6,528 | 51.9 | 4,404 | 35.0 |
| 10 State Average | \$5,206 | 41.3 | \$6,384 * | 50.7 |

Source: National Governor's Association, 1995; *Excluding Ohio

TABLE HW-5

**Number of Optional Benefits
Provided by
the 10 Most Populous States**

| | Cash Grant Recipients | Medically Needy Recipients |
|----------------|-----------------------------|----------------------------------|
| California | 29 | 28 |
| Texas | 22 | 22 |
| New York | 26 | 26 |
| Florida | 22 | 19 |
| Pennsylvania | 21 | 12 |
| Illinois | 26 | 26 |
| Ohio | 25 | — |
| Michigan | 27 | 27 |
| New Jersey | 28 | 20 |
| North Carolina | 21 | 20 |

optional services (e.g., out-patient drugs, adult dental, optometry, hospice, chiropractic, and occupational therapy). While all states provide some optional services, 36 states, including California, provide those services to both medically needy and categorically eligible Medicaid recipients. The Medi-Cal program now covers nearly all of these optional services, which according to HCFA, is surpassed only by Indiana (medically needy recipients only), Minnesota and Wisconsin. Two years ago, seven states provided more services than California. Since then, a number of states have reassessed the range of benefits they provide. California's optional benefits total in 1995 in comparison with the ten most populous states is shown in Table HW-5. As discussed below, eight optional services are proposed for elimination in 1996-97.

Medical costs vary considerably among the various categories of persons eligible for Medi-Cal. For example, a member of a Medi-Cal family eligible for AFDC is estimated to incur benefit costs of \$1,006 in all of 1996-97, whereas a disabled person in long-term care will incur costs exceeding \$4,472 each month. These differences in costs are illustrated in Figure HW-G.

Managed Care. In California, the traditional provision of Medi-Cal services has been through a fee-for-service system of health care delivery. Under this predominant system, qualified providers are paid for specific services as they are rendered. As an alternative to the fee-for-service program, the Department of Health Services also administers capitated, managed health care delivery systems. Since 1993, the statutory "default" has been changed from fee-for-service to managed care in those situations in

which a Medi-Cal beneficiary does not have an established primary care provider relationship and a managed care option is available in his or her community. Under its strategic plan, Expanding Medi-Cal Managed Care, the Department of Health Services envisions increasing managed care enrollment from the roughly 1.1 million beneficiaries forecast for 1995-96 to about 3.2 million beneficiaries in 1996-97.

The Administration's Medi-Cal Managed Care initiative balances the three competing priorities of cost, access and quality. Though managed care will not produce savings in the short term, it is a comprehensive system that will help the State control costs in the future while promoting access to health care for Californians in need of Medi-Cal services.

PROGRAM CHANGES

Federal Funding for Illegal Immigrants.

Federal immigration policy and the provisions of OBRA 1986 require that California provide Medi-Cal benefits for emergency services and deliveries to illegal immigrants. Excluding state only programs, total costs in this area are \$769 million (\$384 million General Fund) and \$787 million (\$394 million General Fund) in 1995-96 and 1996-97, respectively. The federal government participates by providing funds at the federal medical assistance payment (FMAP) rate which has been approximately 50 percent of total payments.

The FFY 1996 Budget is expected to authorize an additional \$3.5 billion that will be allocated by formula over a five-year period to states which have had the greatest number of illegal immigrants. This marks the first time that the federal government has recognized the obvious burden the illegal immigrant

population places on states and the federal government's responsibility for funding these costs. California, which has the largest number of illegal immigrants of any state and 43 percent of the nation's illegal immigrants, is expected to receive \$1.6 billion over the next five years. This translates into an additional \$215.7 million in 1995-96 and \$303.4 million in 1996-97.

State-Only Prenatal Services. The Governor's Budget also assumes that prenatal benefits for illegal immigrants, although authorized under State law, will be discontinued as of March 1, 1996. Similarly, no new long-term care benefits will be provided to illegal immigrants as of that date. Federal legislation enacting federal welfare reform prohibits states from providing public benefits, including all non-emergency medical services, to illegal immigrants unless a state chooses to reauthorize these benefits to illegal immigrants after the enactment of the federal law.

The sanction imposed on states continuing to provide benefits is loss of federal welfare reform block grant funds. The budget assumes these benefits will be discontinued as the State will be accepting the federal block grant funds.

The budget proposes state legislation to reauthorize services to illegal immigrants currently residing in long-term care. No other non-emergency services will be continued for others illegally living in the United States.

Federal Funding for Legal

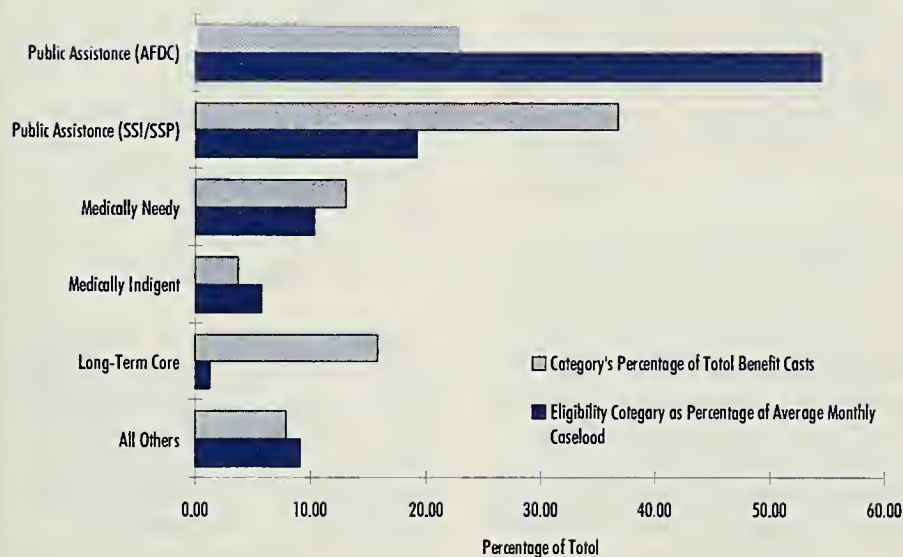
Immigrants. In addition, federal law specified that legal immigrants in the country for less than five years are ineligible for SSI/SSP effective January 1, 1997. This automatically makes this population ineligible for full scope Medi-Cal benefits. After January 1, 1997 these immigrants will transition to Medi-Cal Only eligibility, a category under which they will only qualify for emergency services in accordance with the federal law change. Legal immigrants qualifying for AFDC cash benefits will continue to receive full scope Medi-Cal benefits. Though the General Fund will have an overall savings as a result of complying with the federal legislation related to legal immigrants, the Medi-Cal program will have a net increase of \$5.5 million General Fund due to the shifting of eligibility determination and administrative costs from the Social Security Administration to the State.

Eliminating Alcohol or Drug

Addiction as a Disability. Federal legislation is expected to revise the definition of disability to not recognize disabilities based on alcohol or drug abuse. Persons whose only basis of disability is drug

FIGURE HW-G

Medi-Cal Cost by Eligibility Category
1996-97



or alcohol addiction will become ineligible for SSI/SSP and Medi-Cal benefits. The effective date of the proposed legislation is expected to be January 1, 1997, which will result in six months of savings of \$5.7 million (\$2.8 million General Fund).

Continue Drug Rebates and Revise Medical Supply Fees. The Administration will be sponsoring legislation to continue the ten-percent minimum supplemental drug rebate program that currently sunsets June 30, 1996. This program generates \$34.5 million in General Fund savings and represents a critical component of the overall Medi-Cal cost containment strategy. Revisions will also be proposed to the current formula for determining drug ingredient costs. This change will more closely approximate actual drug acquisition costs by pharmacies. In addition, amendments will be proposed to revise the reimbursement rates for pricing medical supplies and deleting the requirement that the medical supplies list be codified in regulation. This will allow faster updating of the list and provide better utilization controls. The 1996-97 savings related to these changes is estimated to be \$18.1 million General Fund in addition to the \$34.5 million supplemental drug rebate program savings.

Reduction in Distinct Part Nursing Facility Costs. Medi-Cal's long-term care program includes both freestanding nursing facilities and distinct part (DP) nursing facilities which are adjoined to an acute care hospital. DP facilities account for more than \$280 million of the total Medi-Cal long-term care budget of \$2.2 billion. The services in both freestanding and DP are virtually the same, although the patient cost in a freestanding facility ranges from \$73 to \$92 per day while the cost in a DP facility ranges from \$100 to \$215

per day. To reduce the significantly higher cost associated with the DP facilities, the budget proposes to reduce daily rates in the higher cost facilities by 20 percent for a General Fund savings of \$25.7 million.

Federal Liaison Project (Airport Investigators). The Audits and Investigations Division has established a joint project with the Immigration and Naturalization Service to screen entrants to determine if they are currently eligible for Medi-Cal, or have had previous eligibility. Being a public charge is a violation of their visa privileges for which they can be denied entry. The pilot project has been tested at the Los Angeles International Airport and with Central American consulates or embassies in foreign countries to identify Medi-Cal recipients who are seeking reentry to a California port of entry. The pilot project has proven effective and will be expanded to obtain visa information from additional American embassies. Though the project will be implemented in 1996-97, annual General Fund savings of \$8.1 million will not be achieved until the following year when the project is operational for a full twelve months.

Medi-Cal Optional Benefits/Co-payments. The range of benefits provided under the Medi-Cal program significantly exceeds those benefits provided under a commercially available health insurance program. The Governor's Budget proposes a savings of \$78 million (\$39 million General Fund) by eliminating certain federally optional Medicaid benefits—psychology, chiropractic, podiatry, independent rehabilitation centers, acupuncture, medical supplies, speech and audiology services, and non-emergency medical transportation. Eliminating these benefits is the first step toward conforming Medi-Cal to the type of coverage provided by

most commercial health care plans. These services will continue to be provided for children under age 21, persons in long-term care, and persons with developmental disabilities. To further mirror the features of a commercial plan, the remaining Medi-Cal services are proposed to be subject to federally allowable co-payments which will result in a nine-month General Fund reduction of \$23 million.

Beverly Community Hospital Lawsuit. This class action lawsuit was filed by hospitals providing inpatient hospital services to persons who qualify as both Medicaid and Medicare beneficiaries. These persons are considered "dual eligible" if they meet the qualifications for both Medicaid (Medi-Cal) and Medicare, or are granted eligibility by specific enhanced eligibility criteria included in federal law. Medi-Cal currently does not fully reimburse providers for Medicare Part A (hospital inpatient coinsurance and deductible costs) when the Medicare reimbursement is higher than the Medi-Cal reimbursement rate for the same service. The federal court has issued a court order granting summary judgment to the plaintiffs which requires Medi-Cal to pay certain co-payments and deductibles. This will result in additional costs of \$74 million (\$37 million General Fund) in 1995-96 and \$140 million (\$70 million General Fund) in 1996-97. The State is appealing this court order.

PUBLIC HEALTH

The 1996-97 Governor's Budget will continue to reflect choices in health care. While funding is being reduced from Medi-Cal, the budget reflects significant investments in a variety of program areas designed to build upon the prevention agenda initiated by this Administration. The

budget continues to reflect increased investments in preventive services for vulnerable populations, namely low-income women and children.

Unwed and Teenage Pregnancy Prevention. Prevention has been the cornerstone of the Administration's support for health and welfare programs, and teen pregnancy prevention has been a key component of this effort. California has launched aggressive and multifaceted efforts, including statewide abstinence programs, increased funding for clinical services, strong promotion of male responsibility in teen pregnancy prevention, and a statewide media campaign. This budget proposes an additional \$71 million to expand efforts in the following areas:

- ✦ \$34 million will be made available for matched community challenge grants to encourage innovative and relevant local solutions to the problem of unwed and teenage pregnancy and the associated problems of alcohol and drug use, school failure, gangs and violence. Communities will be asked to form collaborative partnerships with appropriate local agencies, businesses, schools, religious groups and local government agencies to develop local community strategic plans and programs. State funding will be matched with private sector resources provided by local businesses, church groups, or others within the community.

- ✦ \$6 million for a total of \$8.4 million will be provided to expand the "vertical prosecution" program on a statewide basis. This program, established in 16 counties in 1995-96, provides district attor-

neys with additional resources to prosecute statutory rape cases.

- ✦ \$20 million will be made available to provide contraceptive services to low-income women who have incomes up to 200 percent of the federal poverty level. The service will be implemented through a state-only Medi-Cal family planning program. These funds will augment funding of \$23 million (full-year funding of \$46 million in 1997-98) to be redirected from current Office of Family Planning clinical services.

- ✦ \$10 million (\$5 million redirected from Education Now and Babies Later Program resources) and \$5.7 million base media funding to support a \$15.7 million statewide media campaign to raise public awareness about the problem of unwed and teenage pregnancy. This multimedia campaign will emphasize the positive health aspects of family planning and the negative health aspects of unwed unplanned pregnancy.

- ✦ \$1 million will be made available to contract for the development of an abstinence until marriage-based curriculum which will be implemented as a demonstration project in several at-risk communities and be evaluated for its effectiveness in reducing teen pregnancy.

Domestic Violence Prevention.

The budget continues \$11.5 million for shelter-based services established under the Battered Women Protection Act of 1994. The program currently provides direct services through grants to shelters statewide. The Governor's Budget also proposes an additional \$5 million (\$3 million for a media campaign and \$2 million to be provided for

community interventions) for a comprehensive Domestic Violence Prevention Program that will use prevention strategies to achieve the following objectives:

- ✦ Raise the public's awareness of the seriousness of domestic/family violence.
- ✦ Denormalize the social acceptance of violence.
- ✦ Emphasize learning skills for resolving family conflicts, including resolution and crisis management.
- ✦ Strengthen statewide domestic violence reporting systems.

PROPOSITION 99: THE TOBACCO TAX AND HEALTH PROTECTION ACT OF 1988

The Governor's Budget reflects expenditures from the Cigarette and Tobacco Products Surtax Fund (CTPSF) consistent with those recently reauthorized for the last two fiscal years in Chapter 195, Statutes of 1994 (AB 816), as amended by Chapter 194, Statutes of 1995 (SB 493). Tables HW-6, HW-7, and HW-8 display the CTPSF revenues and expenditures for fiscal years 1994-95, 1995-96, and 1996-97.

For 1995-96, revenues are estimated to be \$444.3 million. Revised expenditures reflect minor caseload adjustments for the Child Health and Disability Prevention Program (CHDP) and a \$7.4 million augmentation from the Unallocated Account to maintain full support for CHDP in response to recent litigation. Court orders now pending appeal denied a significant portion of the CTPSF funding for this priority

TABLE HW-6

**Cigarette and Tobacco Products Surtax Fund
Revenues and Expenditures - 1994-95 Actual**

(Dollars in Thousands)

| Revenues: | Board of Equalization | Health Education Account | Hospital Services Account | Physicians' Services Account | Research Account | Public Resources Account | Unallocated Account | Total |
|---|--------------------------|--------------------------------|---------------------------------|------------------------------------|---------------------|--------------------------------|------------------------|-------------------|
| Beginning Balance | — | \$24,939 | \$3,011 | \$2,083 | \$21,992 | \$3,889 | -\$10,210 | \$45,704 |
| Prior Year Adjustment | — | 2,223 | 1,122 | 663 | 388 | 750 | 3,422 | 8,568 |
| Revenues | \$898 | 92,880 | 162,541 | 46,440 | 23,220 | 23,220 | 116,101 | 465,300 |
| Interest | — | 2,455 | 503 | 72 | 937 | 247 | 341 | 4,555 |
| Total Revenues | \$898 | \$122,497 | \$167,177 | \$49,258 | \$46,537 | \$28,106 | \$109,654 | \$524,127 |
| Transfers: | | | | | | | | |
| Access for Infants and Mothers | — | — | -\$4,939 | -\$13,676 | — | — | -\$39,000 | -\$57,615 |
| Major Risk Medical Insurance Program | — | — | -18,000 | -11,000 | — | — | -1,000 | -30,000 |
| Habitat Conservation Fund | — | — | — | — | — | -3,508 | -11,631 | -15,139 |
| Total Transfers | \$0 | \$0 | -\$22,939 | -\$24,676 | \$0 | -\$3,508 | -\$51,631 | -\$102,754 |
| Total Resources | \$898 | \$122,497 | \$144,238 | \$24,582 | \$46,537 | \$24,598 | \$58,023 | \$421,373 |
| Expenditures: | | | | | | | | |
| Department of Health Services | — | \$41,004 | \$133,440 | \$20,248 | \$2,036 | — | \$50,612 | \$247,340 |
| Department of Education | — | 18,791 | — | — | — | — | 260 | 19,051 |
| University of California | — | — | — | — | 3,650 | — | — | 3,650 |
| Secretary for Resources | — | — | — | — | — | 8 | — | 8 |
| Tahoe Conservancy | — | — | — | — | — | 79 | — | 79 |
| California Conservation Corps | — | — | — | — | — | 234 | — | 234 |
| Forestry and Fire Protection | — | — | — | — | — | 331 | — | 331 |
| Fish and Game | — | — | — | — | — | 6,914 | — | 6,914 |
| Parks and Recreation | — | — | — | — | — | 11,732 | — | 11,732 |
| Dept. of Water Resources | — | — | — | — | — | 2,068 | — | 2,068 |
| Water Resources Control Board | — | — | — | — | — | 775 | — | 775 |
| Board of Equalization | \$898 | — | — | — | — | — | — | 898 |
| Direct Pro Rata Charges | — | 99 | 20 | — | 47 | — | 205 | 371 |
| Total Expenditures | \$898 | \$59,894 | \$133,460 | \$20,248 | \$5,733 | \$22,141 | \$51,077 | \$293,451 |
| Reserve | — | \$62,603 | \$10,778 | \$4,334 | \$40,804 | \$2,457 | \$6,946 | \$127,922 |

preventive health program. Higher-than-anticipated revenues are available to allow this augmentation without impact to county indigent health or other services funded from the CTPSF.

For 1996-97, estimated revenues will decline to \$436.1 million. The Governor's Budget assumes the enactment of legislation to continue the authorization of programs supported by the CTPSF for one

year. The budget also proposes Budget Act appropriations to maintain the 1995-96 funding level for these programs. Pending decisions by the Appellate Court, the budget reflects the revenue allocations and program funding levels similar to those contained in Chapter 194, Statutes of 1995 (SB 493). Revenues are sufficient to support caseload adjustments for the CHDP program without pro rata

or other reductions to other programs funded by the CTPSF.

DEPARTMENT OF MENTAL HEALTH

Sexually Violent Predator Civil Commitments. As part of the Administration's continued commitment to public safety, the Governor's Budget includes both 1995-96 and 1996-97 funding to implement the Sexually Violent

TABLE HW-7

Cigarette and Tobacco Products Surtax Fund
Revenues and Expenditures - 1995-96 Revised

(Dollars in Thousands)

| Revenues: | Board of Equalization | Health Education Account | Hospital Services Account | Physicians' Services Account | Research Account | Public Resources Account | Unallocated Account | Total |
|---|--------------------------|--------------------------------|---------------------------------|------------------------------------|---------------------|--------------------------------|------------------------|------------|
| Beginning Balance | — | \$62,603 | \$10,778 | \$4,334 | \$40,804 | \$2,457 | \$6,946 | \$127,922 |
| Revenues | \$880 | 88,684 | 155,197 | 44,342 | 22,171 | 22,171 | 110,855 | 444,300 |
| Interest | — | 2,700 | 725 | 75 | 1,500 | 150 | 100 | 5,250 |
| Total Revenues | \$880 | \$153,987 | \$166,700 | \$48,751 | \$64,475 | \$24,778 | \$117,901 | \$577,472 |
| Transfers: | | | | | | | | |
| Access for Infants and Mothers | — | — | -\$4,939 | -\$13,676 | — | — | -\$39,000 | -\$57,615 |
| Major Risk Medical Insurance Program | — | — | -18,000 | -11,000 | — | — | -1,000 | -30,000 |
| Habitat Conservation Fund | — | — | — | — | — | -3,402 | -11,096 | -14,498 |
| Total Transfers | \$0 | \$0 | -\$22,939 | -\$24,676 | \$0 | -3,402 | -\$51,096 | -\$102,113 |
| Total Resources | \$880 | \$153,987 | \$143,761 | \$24,075 | \$64,475 | \$21,376 | \$66,805 | \$475,359 |
| Expenditures: | | | | | | | | |
| Department of Health Services | — | \$35,948 | \$129,140 | \$18,498 | \$1,696 | — | \$65,030 | \$250,312 |
| Department of Education | — | 16,757 | — | — | — | — | 313 | 17,070 |
| University of California | — | — | — | — | 4,000 | — | — | 4,000 |
| California Conservation Corps | — | — | — | — | — | \$237 | — | 237 |
| Forestry and Fire Protection | — | — | — | — | — | 323 | — | 323 |
| Fish and Game | — | — | — | — | — | 6,311 | — | 6,311 |
| Parks and Recreation | — | — | — | — | — | 11,325 | — | 11,325 |
| Water Resources Control Board | — | — | — | — | — | 761 | — | 761 |
| Board of Equalization | \$880 | — | — | — | — | — | — | 880 |
| Direct Pro Rata Charges | — | 87 | 28 | 3 | 48 | — | 126 | 292 |
| Total Expenditures | \$880 | \$52,792 | \$129,168 | \$18,501 | \$5,744 | \$18,957 | \$65,469 | \$291,511 |
| Reserve | — | \$101,195 | \$14,593 | \$5,574 | \$58,731 | \$2,419 | \$1,336 | \$183,848 |

Predator program (Chapter 763, Statutes of 1995). Under this program, the Department of Mental Health (DMH), in cooperation with the California Department of Corrections (CDC) and the Board of Prison Terms (BPT), identifies and treats Sexually Violent Predators (SVPs) to help protect the public from further crime and violence by these persons.

Although legislation was enacted in 1994 to put dangerous sexual predators in prison for 25 years to

life, sexual offenders who were already in prison were automatically released from prison at the end of their term, even if they were still dangerous. The Administration-sponsored SVP statute provides a solution to this problem. The law provides authority to detain and treat SVPs who have been convicted of sexually violent offenses against two or more victims and who, because of a mental disorder, are likely to re-offend once they are released from prison. If a jury determines that

the offender is a danger to the health and safety of others and is likely to engage in sexually violent criminal behavior if released, the offender is committed to DMH for treatment for two years. An SVP may be recommitted or, when it is determined the person's mental disorder has changed so that the person is no longer likely to commit acts of sexual violence, the person is released.

The SVP civil commitment and treatment program benefits the public by:

TABLE HW-8

**Cigarette and Tobacco Products Surtax Fund
Revenues and Expenditures - 1996-97 Estimated**

(Dollars in Thousands)

| Revenues: | Board of Equalization | Health Education Account | Hospital Services Account | Physicians' Services Account | Research Account | Public Resources Account | Unallocated Account | Total |
|--------------------------------|--------------------------|--------------------------------|---------------------------------|------------------------------------|---------------------|--------------------------------|------------------------|-------------------|
| Beginning Balance | — | \$101,195 | \$14,593 | \$5,574 | \$58,731 | \$2,419 | \$1,336 | \$183,848 |
| Revenues | \$945 | 43,516 | 152,303 | 97,910 | 4,352 | 21,758 | 115,316 | 436,100 |
| Interest | — | 3,000 | 500 | 75 | 1,500 | 150 | 350 | 5,575 |
| Total Revenues | \$945 | \$147,711 | \$167,396 | \$103,559 | \$64,583 | \$24,327 | \$117,002 | \$625,523 |
| Transfers: | | | | | | | | |
| Access for Infants and Mothers | — | — | -\$4,939 | -\$14,561 | — | — | -\$39,000 | -\$58,500 |
| Major Risk Medical Insurance | — | — | -18,000 | -11,000 | — | — | -1,000 | -30,000 |
| Habitat Conservation Fund | — | — | — | — | — | -3,992 | -11,567 | -15,559 |
| Total Transfers | — | — | -\$22,939 | -\$25,561 | \$0 | -\$3,992 | -\$51,567 | -\$104,059 |
| Total Resources | \$945 | \$147,711 | \$144,457 | \$77,998 | \$64,583 | \$20,335 | \$65,435 | \$521,464 |
| Expenditures: | | | | | | | | |
| Department of Health Services | — | \$35,948 | \$129,140 | \$67,792 | \$1,696 | — | \$63,355 | \$297,931 |
| Department of Education | — | 17,070 | — | — | — | — | — | 17,070 |
| University of California | — | — | — | — | 4,000 | — | — | 4,000 |
| California Conservation Corps | — | — | — | — | — | \$237 | — | 237 |
| Forestry and Fire Protection | — | — | — | — | — | 323 | — | 323 |
| Fish and Game | — | — | — | — | — | 6,027 | — | 6,027 |
| Parks and Recreation | — | — | — | — | — | 11,555 | — | 11,555 |
| Water Resources Control Board | — | — | — | — | — | 766 | — | 766 |
| Board of Equalization | \$945 | — | — | — | — | — | — | 945 |
| Direct Pro Rata Charges | — | 577 | 21 | 5 | 205 | — | — | 808 |
| Total Expenditures | \$945 | \$53,595 | \$129,161 | \$67,797 | \$5,901 | \$18,908 | \$63,355 | \$339,662 |
| Reserve | — | \$94,116 | \$15,296 | \$10,201 | \$58,682 | \$1,427 | \$2,080 | \$181,802 |

✦ Targeting felons likely to continue sexual violence following release from prison by providing mental health treatment until they no longer pose a threat to society.

✦ Enhancing public safety by responding to the public's concerns about releasing society's worst criminals back into the community.

The Governor's Budget provides \$11.7 million in 1995-96 and \$22 million in 1996-97 for DMH to treat SVPs. The program provides SVPs

the opportunity for mental health treatment and ensures society is protected from dangerous repeat sex offenders. (See the Public Safety Chapter for discussion of the CDC and BPT programs.)

DEPARTMENT OF DEVELOPMENTAL SERVICES/ DEPARTMENT OF MENTAL HEALTH

Future of State Hospitals and Developmental Centers. The number of clients in the Department of Developmental Services (DDS) developmental centers (DCs) has declined by more than 2,800 since 1990-91, reflecting a policy of placement in the community and the impact of the 1994 *Coffelt* settlement agreement. The intent of the agreement is to increase the

availability of high-quality, stable, and integrated community living arrangements for persons with developmental disabilities and reduce the DC population by 2,000 residents over a five-year period. Due to the population decline, the Legislature approved the Administration's 1995-96 plan for the closure of the Stockton DC. The facility is scheduled to close in February 1996.

During the same period, the number of judicial and penal code commitments to Department of Mental Health (DMH) facilities has increased by approximately 700 while the number of Lanterman-Petris-Short patients has declined by more than 1,100. The overall reduction of about 3,200 clients in the DMH and DDS facilities requires continued consolidation of facilities in order to remain efficient and cost effective. During 1995-96, both DMH and DDS established advisory committees to evaluate options for the future use of institutions.

The central objectives of the DMH advisory committee were to ensure the continued availability of state hospital services in both Northern and Southern California, and to provide those services in the most cost-effective manner possible. Closure of a DMH facility is not appropriate at this time because, in addition to having a smaller population decline than DDS, DMH must provide security housing at Metropolitan State Hospital (MSH) for approximately 350 patients displaced for three years by the fire and life safety remodeling of Building 70 at Patton State Hospital. (The Governor's Budget provides \$14.8 million in capital outlay funds for the Patton remodeling, \$3 million in capital outlay funds for security fencing at MSH, and \$2.1 million for security staffing at MSH.)

Continuing population declines in the DC system necessitated that the DDS advisory committee focus on facility closures. Among the criteria identified by the DDS advisory committee for determining priorities for closure were the following:

- ✦ Impact the fewest residents and families.
- ✦ Build on a proven ability to create community options.
- ✦ Retain the capacity of developmental centers to serve a full range of client needs.
- ✦ Avoid future capital and compliance expenditures.
- ✦ Maximize the return from the sale or lease of property.

Based on these criteria, the DDS advisory committee recommends the closure of Camarillo Developmental Center and State Hospital in 1996-97. Reports to the Legislature on the findings and recommendations of both the DDS and DMH advisory committees will be made available shortly after release of the Governor's Budget.

The Administration is developing a plan for DMH and DDS to phase-out their use of Camarillo in 1996-97. The plan will take into consideration the best interests and preferences of the clients currently residing at Camarillo. The plan will identify the proposed placement options available for all clients, including community placement as well as transfer to other DCs and state hospitals. The plan will also address the most constructive use of Camarillo once DDS and DMH have vacated the facility. Pursuant to existing law, the Administration will forward a detailed plan for the closure of Camarillo to the Legislature by April 1, 1996.

DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

California Mentor Initiative. In June 1995, the Governor, responding to the crisis of absent fathers in our nation's families, issued an Executive Order creating the California Mentor Initiative. The initiative builds on previous actions taken by the Administration to increase the availability of mentors, such as the School Partnership Program at the Employment Development Department and the Franchise Tax Board, the Share the Path Program at CDC, the Volunteers in Parole Program at the California Youth Authority (CYA), and the Family Self-Sufficiency Program at the Department of Community Services and Development.

The budget proposes \$1.25 million federal funds in the current year and \$10.1 million of additional General Fund in the budget year to continue the California Mentor Initiative through the Department of Community Services and Development and CYA. The \$7 million General Fund proposal for 1996-97 for the Department of Community Services and Development is to be used to recruit, train and place 250,000 mentors with at-risk youth. The objective of the program is to assist youths, especially those living in fatherless families, to become productive members of society and reduce juvenile crime, teen pregnancy, gang association and the school dropout rate. The program will be transitioned to community services agencies operating with private sector funding in 1997-98 (see the Public Safety Chapter for discussion of the CYA program).

EMPLOYMENT DEVELOPMENT DEPARTMENT

Job Training Partnership Act and Job Services Programs. The budget reflects an estimated federal fund reduction of \$264.9 million for the Job Training Partnership Act and Job Services Programs, based on the pending federal appropriations legislation. The budget assumes the highest funded level from the House and Senate versions of the appropriation bills, and reduces funding for these programs by \$264.9 million from \$1.1 billion to \$868.9 million. The Employment Development Department allocates these funds to local service delivery areas which provide counseling, testing, training and job development. These programs target displaced workers, veterans, older individuals, and

youth and adults needing training to enter the labor market. It is estimated that Job Services Programs will be reduced by \$9.2 million, programs for displaced workers by \$39 million, summer youth programs by \$136 million, and other adult and youth programs by \$80.7 million. An estimated 144,000 fewer clients will receive services.

STATE-LOCAL REALIGNMENT

In 1991-92, funding and responsibility for a number of health, mental health, and social services programs were transferred from the State to the counties under the State-Local Realignment initiative. Chapter 89, Statutes of 1991, established the Local Revenue Fund to receive the revenues from a new one-half cent

sales tax and an increase in motor vehicle license fees.

Total realignment revenues for 1995-96 are estimated to be \$2.4 billion which includes \$1.6 billion in sales tax and \$788 million in vehicle license fees; after base funding, \$131 million will be available to fund caseload growth plus growth for the equity, general growth, and County Medical Services Program (CMSP) subaccounts.

Total realignment revenues in 1996-97 are estimated to be \$2.5 billion which includes \$1.7 billion in sales tax and \$822 million in vehicle license fees; after base funding, \$103 million will be available to fund caseload growth plus growth for the equity, general growth, and the CMSP subaccounts (see HW-9).

TABLE HW-9

State-Local Realignment 1996-97 Estimated Revenues and Expenditures (Dollars in Thousands)

| Account | Mental Health | Health | Social Services | Totals |
|--|------------------|--------------------|------------------|--------------------|
| Base Funding | | | | |
| Sales Tax Account | \$751,806 | \$294,324 | \$546,879 | \$1,593,009 |
| Vehicle License Fee Account | 37,406 | 738,261 | 12,335 | 788,002 |
| Total Base | \$789,212 | \$1,032,585 | \$559,214 | \$2,381,011 |
| Growth Funding | | | | |
| Sales Tax Growth Account: | \$18,109 | \$40,969 | \$9,918 | \$68,996 |
| Indigent Health Equity Subaccount | — | (3,270) | — | (3,270) |
| Community Health Equity Subaccount | — | (8,008) | — | (8,008) |
| Mental Health Equity Subaccount | (2,588) | — | — | (2,588) |
| State Hospital Mental Health Equity Subaccount | (4,594) | — | — | (4,594) |
| County Medical Services Subaccount | — | (2,779) | — | (2,779) |
| General Growth Subaccount | (10,927) | (21,558) | (9,918) | (42,403) |
| Special Equity Subaccount ^{1/} | — | (5,354) | — | (5,354) |
| Vehicle License Fee Growth Account | 8,871 | 20,069 | 4,859 | 33,799 |
| Total Growth | \$26,980 | \$61,038 | \$14,777 | \$102,795 |
| Total Realignment^{2/} | \$816,192 | \$1,093,623 | \$573,991 | \$2,483,806 |

^{1/} This display assumes that counties budget these funds in Health.

^{2/} Does not include \$14 million in Vehicle License Collection Account monies since these are not derived from realignment revenue sources.

Public Safety

The Administration continues to make public safety a top priority. The amounts proposed for the Department of Corrections, Board of Prison Terms, Board of Corrections, Department of the Youth Authority, California Highway Patrol and the Department of Justice reflect this commitment to the safety and security of all Californians.

The 1996-97 Governor's Budget supports the correctional programs required for the steadily increasing prison population, which results from tougher criminal sentencing laws and increased law enforcement efforts. The most recent inmate population projections of the Department of Corrections estimate that the inmate population will grow to 163,695 by June 30, 1997, an increase of over 17,000 inmates beyond the June 30, 1996 projected inmate population level of 146,390. Based on this projection, California's prisons will operate at a crowding level of approximately 198 percent by the end of fiscal year 1996-97.

The total inmate and parole populations will require a workforce of over 42,000 personnel years in 1996-97. As shown in Figure PUB-A, funding to support the various programs within the Youth and Adult Correctional Agency will grow to approximately \$4.7 billion.

This amount reflects a 9.5-percent increase over the revised current year budget. Despite the growth in the size of these programs, it should be noted that for calendar year 1994, California ranked 15th among the 50 states and the District of

Columbia for its incarceration rate of 381 inmates per 100,000 population, compared to a nationwide rate of 392 inmates, as reflected in Figure PUB-B. Although California has the largest inmate population in the United States, on a per-inmate basis California's institutions are operated with less uniformed staff than all other states.

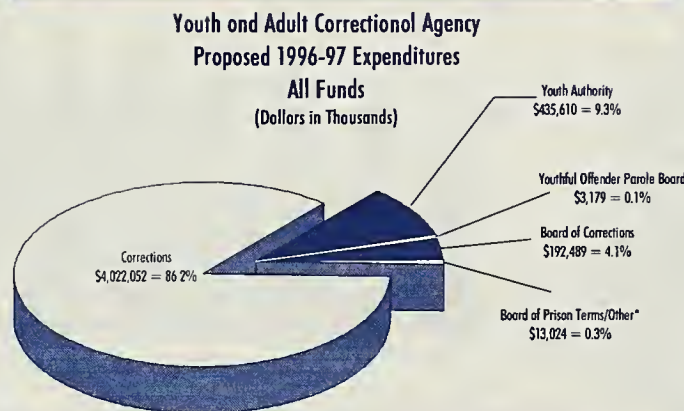
The following expenditure programs for public safety are included in the 1996-97 Governor's Budget.

DEPARTMENT OF CORRECTIONS

The Department of Corrections (CDC) is responsible for incarceration of convicted felons and for the supervision of these felons after their release on parole.

By June 30, 1996, California's prison population will have grown from approximately 55,000 inmates in 1986 to more than 146,000. The department now operates 32 institutions, 11 reception centers, 39 camps and

FIGURE PUB-A



* Includes Agency Secretary.

52 community correctional facilities with a total design capacity of 73,641. During the last ten years, the parole population grew from approximately 31,500 to almost 93,000.

The 1996-97 Governor's Budget proposes \$4 billion, and 42,139 personnel years for state operations and local assistance programs to accommodate these expanding populations (see Figure PUB-C).

The Department's inmate population is projected to increase from 146,390 on June 30, 1996, to 163,695 by June 30, 1997, an increase of 17,305 inmates, or 11.8 percent. The Governor's Budget proposes an additional \$359.6 million and 3,591 personnel years over the revised 1995-96 budget to support this increased population, including staff and operating costs to activate one new institution (Salinas Valley State Prison), lead staff for Corcoran II which will be activated in fiscal year 1997-98, and funds for 10,677 emergency beds system wide.

The parole population is projected to increase from 92,930 on June 30, 1996, to 94,524 on June 30, 1997, an increase of 1,594 parolees, or 1.7 percent.

Sexually Violent Predators. Chapter 763, Statutes of 1995 provides for the civil commitment of an individual who has been convicted of a sexually violent offense against two or more victims, and is determined through the court system to be a danger to the health and safety of others due to a mental disorder.

Under this program, the Department of Corrections (CDC) is required to screen, track and refer potential Sexually Violent Predators (SVP's) to the Department of Mental

FIGURE PUB-B

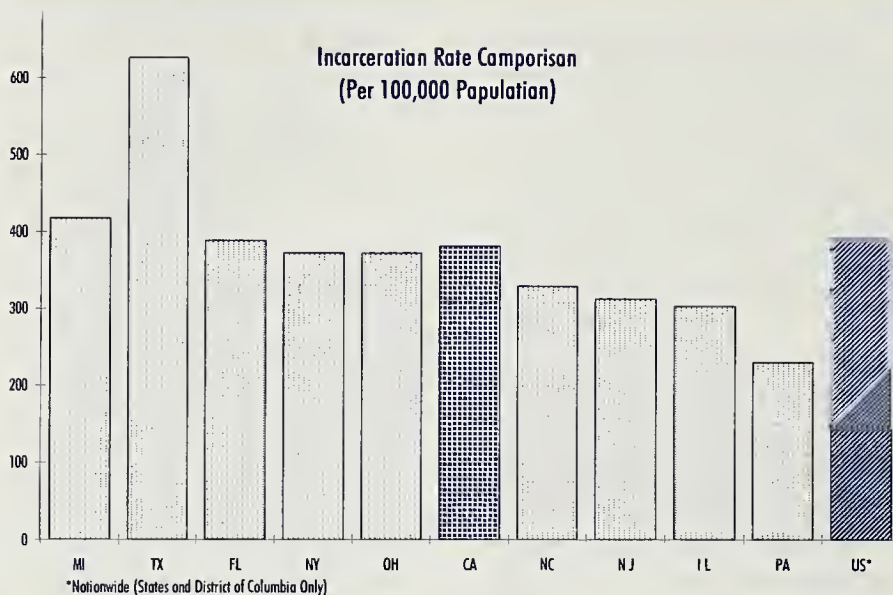


FIGURE PUB-C



(DMH) for clinical evaluation and possible referral to the appropriate county of commitment, prior to release of the individual on parole. It is projected that approximately 216 individuals in the current year and 432 individuals in the budget year, referred by CDC to DMH, will be found to be SVP's. In addition, an unknown number of the approximately 3,600 parole violators arrested annually, who are required to register as sex offenders under Penal Code Section 290, will also be reviewed and referred by CDC's Community Services Division to DMH for evaluation and possible civil commitment. This budget reflects an increase of \$5.5 million in the current year and \$10.4 million in the budget year to implement the provisions of Chapter 763. (Please refer to the discussion of the Board of Prison Terms below and the Department of Mental Health in the Health and Welfare chapter for further information regarding this program.)

Illegal Immigrants. As the percentage of illegal immigrants in the state prison system increases from 13.9 percent in the 1993-94 fiscal year to 14.9 percent in 1995-96 and 1996-97 fiscal years, the state continues to experience related cost increases. For 1995-96, the Department is estimated to expend approximately \$473.3 million for incarceration and parole supervision. In the budget year, CDC costs are estimated to be \$526.2 million, an increase of 11.2 percent. This budget anticipates the recovery of approximately \$324 million of such costs from the Federal Government for 1996-97.

Correctional Management Information System. The 1996-97 Governor's Budget includes \$14.3 million to continue the development of the Correctional Management Information System.

Once implemented, the system will create a single automated capability that will satisfy the needs of all offender information system users and serve as the hardware and software platform for future information systems.

Health Care Delivery. The significant increase in inmate population results in an increased number of inmates with complex health and mental health needs. To address these needs, the Department is implementing the final year of a three-phase program to revise the way in which medical and mental health services are provided in the institutions.

The Governor's Budget includes funding totaling \$50.2 million in 1996-97 for the new health care delivery system, including \$22.5 million and 307 personnel years for the third and final phase of the system. Building upon the two prior phases and elements of the existing health care delivery system, completion of this third phase will provide a comprehensive multi-level inmate health care system. Sub-acute inpatient medical services and short-term inpatient mental health crisis services will be provided in licensed health care facilities in 19 institutions, outpatient mental health and medical services will be provided at all institutions, and comprehensive mental health and medical screening will occur at all reception center institutions. Additionally, 13 personnel years are proposed to establish a Quality Assurance/Risk Reduction unit, which will provide cost and quality control in the delivery of health care services throughout the Health Care Services Division.

Madrid v. Gomez. In addition to the resources provided for the Health Care Services Delivery System, \$5 million and 100 person-

nel years are included in 1996-97 for the development and implementation of a special mental health treatment program for inmates currently housed in the Security Housing Unit at Pelican Bay State Prison. For 1995-96, \$7.1 million has been included for program implementation, attorney fees and court costs. This program is being implemented as part of the court-ordered remedial plan which was submitted by the Department in response to a January 10, 1995, U.S. District Court decision in the case of *Madrid v. Gomez*. Included in those findings were several deficiencies, most notably in the delivery of mental and medical health care, documentation of care, and monitoring of care.

Treatment of Chronic Hepatitis B and C. Hepatitis B and C are caused by a bloodborne virus usually transmitted through blood transfusions, and use of needles for tattooing and injecting drugs. Chronic active Hepatitis B and C are both difficult to manage and result in deterioration of liver functions, cirrhosis, and/or carcinoma of the liver. The budget includes \$2 million for Interferon therapy and related liver biopsies in order to treat inmates diagnosed with chronic Hepatitis B and C.

Infectious Disease Peer Education. As the inmate population continues to grow, the spread of infectious disease is a primary concern. Since accurate information and education is one of the most powerful weapons for controlling the spread of infectious disease, five personnel years are included to perform inmate peer educator training. The inmate peer educators will in turn conduct training sessions and disseminate information on the transmission of bloodborne pathogens and sexually transmitted diseases to other inmates.

PRISON CONSTRUCTION

Public support for longer prison terms for violent and dangerous repeat felons led to the enactment of approximately 150 new laws in 1994 and 1995. These new laws, including "Three Strikes," were significant steps toward providing safer streets and communities for California's citizens. At the same time, stronger sentencing laws will lead to marked increases in the inmate population into the next century, exceeding existing prison housing before the year 2000. Without rapid authorization and funding for new prison construction, California faces possible court intervention and early release of felons.

The California Department of Corrections (CDC) manages an extensive and aggressive prison construction program. To date, CDC has completed 26 major projects with capacity to house 81,500 inmates. In addition, 13 new conservation camps have been constructed and three existing camps expanded. Three projects are currently under construction: Salinas Valley State Prison; the California Substance Abuse Treatment Facility and State Prison at Corcoran; and the Emergency Bed Program. Upon completion of these projects, CDC will have added facilities to house approximately 96,500 inmates. This will give CDC a double cell/bunk capacity to house approximately 137,900 inmates in total (refer to Table PUB-1 for a listing of all new prison projects).

Despite these efforts, the growing inmate population continues to place serious pressure on the capacity of the prison system. Based on prison population forecasts, the number of felons will grow from approximately 135,000 to more than 232,000 by June 2001. This growth,

TABLE PUB-1

Department of Corrections New Prison Bed Construction Projects

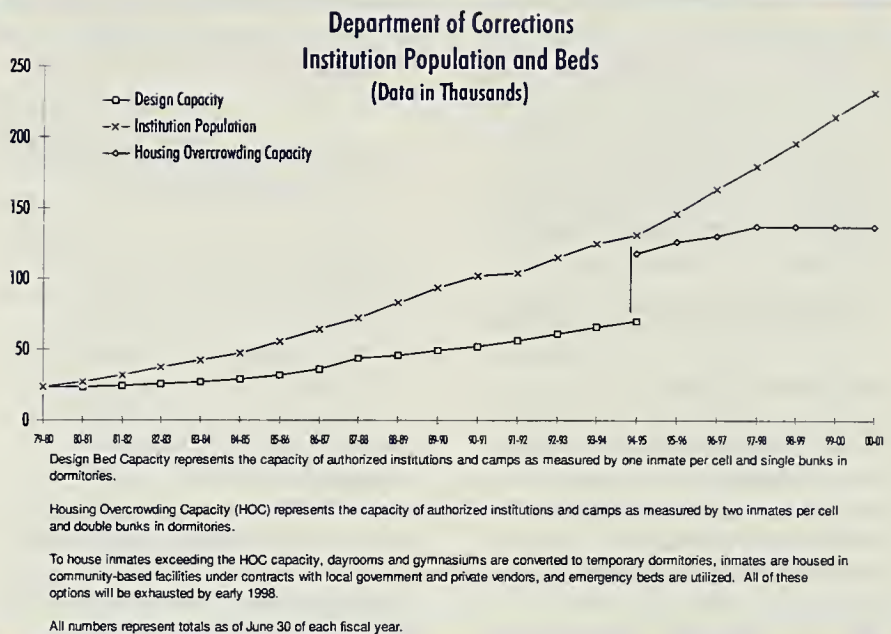
| Major Projects | Design Bed Capacity | Housing Overcrowding Capacity (HOC) | Construction Start | Initial Occupancy |
|--|------------------------|---|-----------------------|----------------------|
| New Prisons-Completed: | | | | |
| Mule Creek State Prison | 1,700 | 3,192 | January 1985 | June 1987 |
| Richard J. Donovan Correctional Facility at Rock Mountain | 2,200 | 4,102 | May 1985 | July 1987 |
| Northern California Women's Facility | 400 | 743 | November 1985 | July 1987 |
| Avenal State Prison | 2,320 | 4,570 | December 1985 | January 1987 |
| CSP-Kings County at Corcoran | 2,916 | 5,022 | September 1986 | February 1988 |
| Pelican Bay State Prison | 2,280 | 3,798 | March 1987 | December 1989 |
| Chuckawalla Valley State Prison | 1,538 | 3,008 | May 1987 | December 1988 |
| Central California Women's Facility | 2,000 | 3,499 | October 1988 | October 1990 |
| Wasco State Prison-Reception Center | 2,484 | 4,448 | May 1989 | February 1991 |
| Calipatria State Prison | 2,208 | 3,778 | March 1990 | January 1992 |
| North Kern State Prison | 2,492 | 4,464 | February 1990 | October 1993 |
| CSP-Los Angeles County | 2,200 | 3,950 | October 1990 | February 1993 |
| Centinela State Prison | 2,208 | 4,158 | July 1991 | October 1993 |
| Ironwood State Prison | 2,400 | 4,550 | January 1992 | February 1994 |
| Pleasant Valley State Prison | 2,208 | 4,158 | July 1992 | November 1994 |
| High Desert State Prison | 2,224 | 4,196 | March 1993 | August 1995 |
| Valley State Prison for Women | 1,984 | 3,454 | June 1993 | May 1995 |
| Subtotal | 35,762 | 65,090 | | |
| Major Expansions-Completed: | | | | |
| California Men's Colony-West, Renovation | 900 | 1,350 | 1983 | June 1984 |
| Southern Maximum Security Complex | 1,000 | 1,799 | June 1983 | October 1985 |
| CSP-Solano County | 2,110 | 4,050 | January 1984 | August 1984 |
| CSP-Sacramento County at Folsom | 1,728 | 3,195 | April 1985 | October 1986 |
| Three 500-Bed Additions | 1,500 | 2,750 | November 1985 | August 1986 |
| California Institution for Women, Special Housing Unit | 100 | 173 | October 1986 | June 1987 |
| Subtotal | 7,338 | 13,317 | | |
| Other Projects-Completed: | | | | |
| Camps | 1,370 | 1,370 | Various | June 1984 |
| Modular Housing Units | 1,000 | 1,700 | Various | June 1984 |
| Subtotal | 2,370 | 3,070 | | |
| Other Authorized Projects: | | | | |
| Salinas Valley State Prison | 2,224 | 4,196 | April 1994 | May 1996 |
| California Substance Abuse Treatment Facility and State Prison at Corcoran II | 3,424 | 6,013 | April 1995 | August 1997 |
| Emergency Beds | 2,400 | 4,800 | October 1995 | January 1997 |
| Subtotal | 8,048 | 15,009 | | |
| Grand Total | 53,518 | 96,486 | | |

averaging 17,000 per year, exceeds CDC's housing capacity, including the capacity provided by the Emergency Bed Program initiated in the 1995-96 budget. Inmates will be housed in triple bunks in dormitory units and in converted gymnasiums. Double bunks will be placed in the dayrooms of medium security cellblocks. Increasing numbers of medium security inmates, who should be housed in cells, will need to be housed in dormitories. However, even these measures are insufficient for the growing numbers of felons. Current trends indicate that by early 1998, CDC will be out of bed capacity.

Dangerously overcrowding prisons creates conditions where violence and potential loss of life and property escalate. Since 1990, the number of staff assaulted by inmates has doubled. Furthermore, operating the prison system at prolonged, high levels of overcrowding taxes the infrastructure, especially for older prisons. In addition, in other states federal courts have ordered early release of inmates when prisons are found to be overcrowded.

Therefore, the Administration recommends placing a public safety bond act on the 1996 ballot to provide \$1.9 billion for a multi-year program to construct six new prisons as well as renovate existing prisons. (Of this amount, \$50.6 million is included in the 1996-97 Governor's Budget for major and minor projects at existing prisons including improvements in health care facilities and wastewater treatment; funds for new prisons are not reflected pending authorizing legislation). The new prisons are proposed for construction in Delano, Kern County (Delano II); California City, Kern County; San Diego County (San Diego II); Sacramento area (Northern Califor-

FIGURE PUB-D



nia Reception Center); Taft, Kern County; and Solano County (Solano II). Thereafter, under current projections, up to 13 additional prisons may be needed by 2001. To address inmate housing needs until the new prisons are activated, the 1996-97 Governor's Budget also provides \$7.2 million from the General Fund to complete the Emergency Bed Program started in 1995-96.

While the construction of six prisons is a major undertaking, CDC has mastered building facilities in a compressed time frame through the use of prototype building plans and fast-track methodologies. New prisons have been financed in the past through a mixture of funding methods: General Obligation bonds, revenue bonds backed by lease-purchase agreements and appropriations from the General Fund. Five General Obligation bond acts totaling \$2.6 billion were approved by the voters in 1981, 1984, 1986, 1988 and 1990. However, these

bond funds have been exhausted by appropriations in previous budgets. The Legislature has also authorized \$2.7 billion in financing for various prison construction projects through State Public Works Board lease-revenue bonds. These funds are either exhausted or financing current capital outlay projects.

BOARD OF CORRECTIONS

The Board of Corrections is responsible for establishing standards for the construction and operation of local jails and juvenile detention facilities, compliance inspections and employment standards and training for local corrections and probation personnel.

Given the accelerating number of violent juvenile offenders, the Administration is proposing a \$150 million local juvenile detention facility bond measure to build, expand, and remodel county juvenile correctional facilities. Upon enactment of this measure through

a 1996 ballot proposition, the Board of Corrections will be charged with the responsibility for assisting counties in planning, designing and constructing facilities in ways that promote economy, quality, efficiency and the highest degree of safety for the public and staff as well as the juveniles that are detained in these facilities.

BOARD OF PRISON TERMS

The Board of Prison Terms (Board) is charged with the responsibility for considering the release on parole and establishing the length and conditions of parole for all persons sentenced to prison under the Indeterminate Sentence Law, persons sentenced to prison for a term of less than life under Penal Code Section 1168(b), and for persons serving a sentence for life with the possibility of parole. The Board is also responsible for carrying out all aspects of the parole revocation hearing process for persons sentenced under the Determinate Sentence Law.

Sexually Violent Predator Law.

Enactment of the Sexually Violent Predator civil commitment law, Chapter 763, Statutes of 1995 (AB 888), has resulted in new responsibilities for the Board of Prison Terms. The Board, along with the Department of Corrections, will be responsible for screening, tracking, and referring potential sexually violent predators to the Department of Mental Health for clinical evaluation and possible referral to the appropriate county for civil commitment. The Board of Prison Terms budget contains \$492 thousand and 3 personnel years for 1995-96, and \$813 thousand and 7 personnel years for 1996-97, to provide the funds needed to meet the requirements of Chapter 763. (Please refer to the discussion of the Department of

Corrections above and the Department of Mental Health in the Health and Welfare section for further information regarding this program.)

DEPARTMENT OF THE YOUTH AUTHORITY

The mission of the Department of the Youth Authority is to protect society from criminal and delinquent behavior by young people and to help these young people become productive, responsible citizens. The Youth Authority accomplishes this mission by providing the youthful offenders in their custody programming which includes academic and vocational education, substance abuse treatment, and on-the-job training.

Reflective of the Administration's continued commitment to public safety and the development of innovative approaches to juvenile corrections, the Governor's Budget proposes a total of \$435.6 million and 5,526 personnel years in 1996-97 for state operations and local assistance programs.

The Youth Authority operates 11 institutions, including 2 reception center/clinics, 6 conservation camps (2 of which are institution-based camps), and an institution-to-parole transitional drug treatment program. The total institution and contract design capacity of the Youth Authority is 6,762 beds. The Department projects these facilities will house 10,460 youthful offenders by June 30, 1996. Although the number of wards committed to the Youth Authority is expected to continue increasing, as a result of a change in policy relative to "M-Cases", the overall institution population is expected to decrease by 280 wards by June 30, 1997 for a year-end population of 10,180.

The Youth Authority supervises parolees through 16 offices located throughout the state. The parole population is projected to be 5,970 by June 30, 1996, and to increase by 255 cases, or 4.3 percent, to 6,225 by June 30, 1997.

M-Case Policy Change. Existing law allows a Department of Corrections inmate who is under the age of 21 to be housed in a Youth Authority institution for a period not to exceed the inmate's 25th birthday. Such inmates are commonly referred to as "M-Cases." The funding level provided to the Youth Authority in the 1996-97 Governor's Budget, is predicated on enactment of legislation which will prohibit the housing of M-Cases who are 18 years of age or older, rather than the current 21 years of age, in Youth Authority institutions, effective July 1, 1996. Under this assumption, M-Cases who are housed in the Youth Authority would generally be transferred to a state prison, under the jurisdiction of the Department of Corrections, upon reaching the age of 18 years and 1 month.

Consistent with past years, the Governor's Budget proposes to address the changing needs of the Youth Authority's population through a balance of program strategies, new capacity and institutional crowding. The following program enhancements and new programs are included in the 1996-97 Governor's Budget:

Gang Containment/Juvenile Justice Reform. The Budget contains \$3.1 million for the Youth Authority to carry out its responsibilities under the Gang Containment and Juvenile Justice Reform Initiative, which will provide for establishment/expansion of the following programs.

✦ Increased funding in the amount of \$656 thousand for the Gang Violence Reduction Program will provide additional literacy programs, parental training and graffiti removal in communities.

✦ An additional \$455 thousand for the Gang Information Coordinator Program will provide counseling for wards who are reported or suspected gang members, and will facilitate sharing of gang-related information among institution staff, parole staff, and other law enforcement personnel.

✦ Additional apprehension and gang awareness services will be provided in both the Northern and Southern parole regions by providing \$365 thousand for expansion of the Gang Information Apprehension Unit.

✦ An increase of \$785 thousand will allow for establishment of three new Northern California Gang Service Project offices, which will provide intensive parole supervision for paroled gang members.

✦ \$800 thousand is provided for establishment of the Voluntary Tattoo Removal Program to provide wards with an option to have highly-visible gang related tattoos removed in order to improve their chances for employment and encourage separation from the gang lifestyle.

(Please refer to the State and Local Alliance for Public Safety chapter for further information regarding this initiative.)

California Mentor Initiative. The budget contains \$10.1 million General Fund to continue the California Mentor Initiative through the Department of Community Services and Development and the

Department of the Youth Authority. For the Department of the Youth Authority, \$3.0 million is proposed in 1996-97 to implement a grant program to provide parenting training to young men in the custody of county juvenile halls, camps, and ranches. County programs would be modeled after the existing Youth Authority programs, and would utilize a curriculum developed by the Youth Authority. These programs would include mentoring components under which positive male role models from the community would be matched with youthful offenders. Cooperative efforts between county probation departments, offices of education, and community-based organizations will be emphasized.

Since 1972, the Youth Authority has offered the Volunteers in Parole Program, operated in conjunction with the California State Bar Association and modeled after the Big Brother/Big Sister concept, to its wards and parolees. The program begins with a "pen pal" relationship, where wards, not yet to parole are matched with attorney mentors for correspondence during the remainder of their institutional stay. The program then progresses to match parolees with volunteer attorneys who act as mentors and provide one-on-one support during re-entry and community re-adjustment. Goals of the Volunteers in Parole Program include reducing recidivism and the incidence of crime. The proposed increase of \$116 thousand will enable the Youth Authority to provide positive role models for a greater number of parolees and wards throughout the State. (Please refer to the Health and Welfare chapter for a discussion of the Department of Community Services and Development program.)

• **Parenting Programs.** The Governor's Budget includes \$400 thousand and 9 personnel years to expand the Young Men as Fathers and Preparing for Positive Parenting Programs. These programs focus on increasing the parenting knowledge and skills of wards and parolees who are fathers and teaching these young men to be responsible parents by participating in the emotional and financial support of their children, thereby reducing the burden on society for their children's support.

• **Transition to Parole.** The Governor's Budget proposes \$855 thousand and 15 personnel years for a collaborative effort between the Department of the Military and the Youth Authority to establish a transition to parole program at the California National Guard's Camp Roberts. This program will involve the housing of 40 wards, who are within 4 months of being paroled, at Camp Roberts. The program will provide a maintenance workforce at Camp Roberts, and will enable wards to develop job skills and a positive work ethic prior to release on parole. During their time at Camp Roberts, wards will begin their transition from institutional living to release on parole in the community.

• **County Camp Funding/Sliding Fee Scale/Commitment Fee Increase.** The Youth Authority's budget reflects an increase of \$32.7 million in local assistance funding which will be provided to eligible county probation departments that operate juvenile camps and ranches. For 1995-96, this funding is contingent upon the enactment of special legislation to provide the appropriation. For 1996-97, funding will be provided through an appropriation in the budget bill. In addition, the legislation would include a sliding scale/

commitment fee increase component. Since the 1960s, the monthly fee has been \$25 per ward; the proposed change would increase this fee to \$150 per ward. However, this \$150 fee would not apply to category 5, 6, or 7 wards, who would instead be subject to a sliding fee scale under which the committing county would be required to pay 50 percent, 75 percent, or 100 percent, respectively, of the Youth Authority's actual per capita cost to house these wards.

It is anticipated these charges will create an incentive for counties to develop and implement less costly local options for those juvenile offenders who would otherwise have been placed at the Youth Authority. Based on current data which do not reflect any potential change in county commitment behavior or expected changes in programs at the county level, the Governor's Budget includes an increase in the Youth Authority's reimbursements of \$7.5 million in 1995-96, and \$37.8 million in 1996-97. (Please refer to the State and Local Alliance for Public Safety chapter for further information regarding this proposal.)

Facility Construction. The 1996-97 Governor's Budget proposes new bond authority of \$201 million for the Youth Authority for additional beds and capital improvements at existing facilities. The Administration recommends \$150 million from these bond funds to address housing needs for increases in ward population, of which \$12.1 million is proposed as a 1996-97 expenditure for preliminary plans and working drawings for 1,450 institutional beds. The new construction consists of 850 beds at existing institutions and the construction of a 600-bed satellite institution on the grounds of an existing Youth Authority facility.

In addition, \$51 million will fund ongoing capital improvements, of which \$15.6 million is proposed for expenditure in 1996-97. Projects include:

- ✦ Fire Marshal modifications to bring facilities into compliance with current codes;
- ✦ Replacement of an infirmary at El Paso de Robles School;
- ✦ Security upgrades to institutional perimeter fencing and personal alarm systems;
- ✦ Upgrades to institutions' visitor security entrances;
- ✦ Additional space for Free Venture ward employment and vocational education programs;
- ✦ A new boiler plant for the Preston School of Industry; and
- ✦ Special education and mental health programs.

The 1996-97 Governor's Budget also proposes \$3.5 million from the General Fund for a variety of minor capital outlay projects.

DEPARTMENT OF JUSTICE

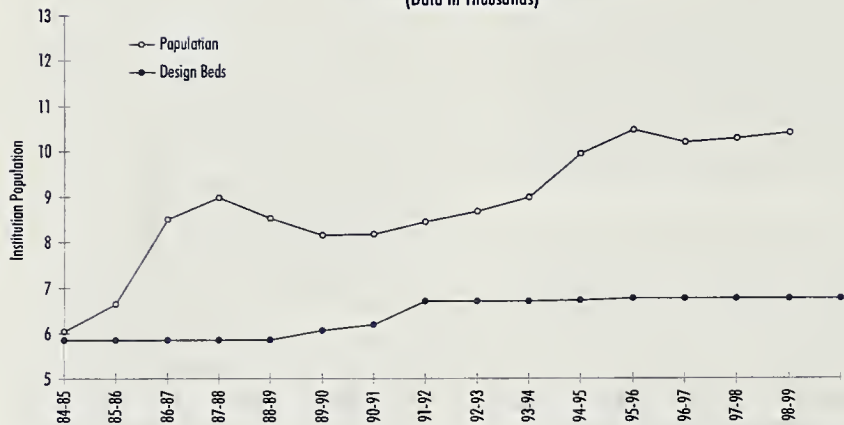
The Attorney General serves as the State's primary legal representative and chief law enforcement officer, and is responsible for ensuring that California's laws are uniformly enforced.

For 1996-97, the Governor's Budget proposes 4,256 personnel years and \$373.7 million for the Department of Justice, which includes \$166.2 million for the Division of Law Enforcement and \$168.4 million for the Legal Services Programs, and reflects the Attorney General's priorities. The major budget adjustments proposed for 1996-97 include:

Clandestine Laboratory Enforcement Program. An increase of \$2.7 million General Fund and 17

FIGURE PUB-E

Department of the Youth Authority
Population Projections and Institution Design Capacity
Including the Effect of Program and Population Capacity Proposals
on Design Capacity 1983-2000
(Data In Thousands)



NOTE: "Beds" represent the institutional design capacity of authorized institutions and camps as of June 30 for each fiscal year. Projected population reflects all approved "bed-saving" alternative programs.

personnel years to increase enforcement efforts against illegal drug manufacturing within the state. California continues to see a steady increase in the number of clandestine laboratories producing illegal narcotics, specifically methamphetamine or its chemical precursors. This augmentation expands the state's efforts by an estimated 25 percent to act against the manufacture of methamphetamine and the purchase or manufacture of its chemical precursors.

Bureau of Forensics Services. An increase of \$2.9 million General Fund and 18 personnel years for increased workload and equipment for providing forensics services to law enforcement agencies and district attorney offices in 46 counties. Significant increases in felony drug arrests have increased the Department of Justice's narcotics cases requiring additional staff to accommodate the workload.

Appeals, Writs, and Trials Workload. An increase of \$3.5 million General Fund and 37 personnel years to meet increasing legal workload requirements of the Appeals, Writs, and Trials Section. This section has exclusive responsibility for representing the interests of the people of the State of California in the criminal courts system in all non-death penalty appeals, all death penalty appeals and writs, state and federal habeas corpus matters, and all criminal trials where local prosecutors cannot proceed due to conflicts or recusal.

Correctional Law Section Workload. An increase of \$1.4 million General Fund and 14 personnel years to address the workload increase in the Correctional Law Section (CLS). The CLS is responsible for representing the public, state employees and client state agencies, including the Department

of Corrections and California Youth Authority, in suits filed by prison inmates, CYA wards and parolees regarding conditions of confinement. The increase in workload is largely due to class action suits and civil suits. Class action suits are filed on behalf of hundreds or thousands of inmates and may raise challenges pertaining to one or all of the institutions operated by the Department of Corrections. Civil suits are filed by individual inmates and caseload is related to increasing prison population. Typical legal issues include challenges related to conditions of confinement, prison management practices and inmates' rights. Defense of the state in these matters is critical in order to maintain the ability to effectively manage the state's correctional system and to carry out the statutory duties related to incarcerating convicted offenders for the terms prescribed by law.

Employment Discrimination. An increase of \$3.6 million in reimbursements and 36 personnel years to handle increasing employment discrimination workload, which is one of the most rapidly expanding areas of law in California. This augmentation includes funding for the California Highway Patrol and for the California Department of Corrections which previously used private counsel.

Consultant Fees (Stringfellow Case). An increase of \$3.7 million General Fund to defend and indemnify the State in the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) case in the United States district court and in the *Newman v. Stringfellow* case in Riverside Superior Court.

Juvenile Justice Court and Probation Statistical System. An increase of \$323 thousand (\$147 thousand General Fund and \$176 thousand in reimbursements) and five personnel years to restore the Juvenile Justice Court and Probation Statistical System (JCPSS). The JCPSS program's primary objective is to provide statistical data to state and local law enforcement agencies, the Governor, and the Legislature that enable interested parties to track delinquents from arrest to final disposition. These assist decision-makers in policy development and to address problems in the juvenile justice system.

Federal Habeas Corpus Reform Pending Legislation. The U.S. Congress is currently considering the Federal Habeas Corpus Reform Bill. This bill would require a defendant in a capital case to file his or her federal habeas corpus petition within 180 days of the completion of state proceedings. The bill would also require a non-capital federal habeas corpus petition to be filed within one year after completion of the state appellate proceedings. Additionally, the bill would afford defendants only one opportunity to file his or her federal habeas corpus petition, thereby reducing significantly the number of court proceedings for many cases after the initial year has passed.

If enacted, DOJ anticipates this will lead to a short-term increase of cases beginning in the 1996-97 fiscal year and a significantly reduced workload in this area in future years. DOJ estimates that the workload generated by the passage of the bill would require approximately 37 attorneys and 24 paralegals for one year limited term. Should this legislation become law,

additional funding may be requested in the spring of 1996.

OFFICE OF CRIMINAL JUSTICE PLANNING

The Office of Criminal Justice Planning (OCJP) seeks to improve the criminal justice system in California through providing financial and technical assistance to state and local governments, education and training to California citizens, and technical and research support to the Administration.

For 1996-97, the Governor's Budget proposes 115 personnel years and \$126.6 million for OCJP to continue the Administration's efforts to improve the criminal justice system and reduce crime in California. The budget includes funding to implement the following major criminal justice initiatives:

Gang Civil Injunction Program. An increase of \$2.5 million General Fund and 1 personnel year to fund the first year of a two-year Gang Civil Injunction Program. The program fosters safer communities by obtaining civil injunctions against gangs enjoining them from activities which threaten, harass and victimize communities, such as blocking the free passage of persons or vehicles on public streets or congregating in large groups in public areas for the purpose of denying public use and intimidating the community.

California Council on Criminal Justice - Task Force on Probation.

An increase of \$191 thousand General Fund in 1995-96 and \$61 thousand General Fund in 1996-97 to establish a Task Force on Probation. Beginning in January 1996, the California Council on Criminal Justice (CCCJ) will establish a task force to examine the nature, cost and effectiveness of California's existing probation

system. This task force will define areas needing improvement, evaluate alternatives and submit recommendations to the Administration and the Legislature in the fall of 1996. As a result of this statewide evaluation, solutions are planned to be developed to reduce recidivism rates and victimization of the general public.

Curfew Enforcement. An increase of \$500 thousand General Fund to implement a Curfew Enforcement Strategy as part of the Gang Violence Suppression Program. The Curfew Enforcement Strategy seeks to deter juvenile delinquency through support of local enforcement agencies in the prevention and enforcement of curfew violations. This program allows for a greater commitment of police officers during specific periods of time in locations of high curfew violations. Besides enforcement, this strategy is intended to promote stronger family involvement and responsibility through parental education and counseling.

CALIFORNIA HIGHWAY PATROL

The Department of the California Highway Patrol (CHP) is recognized for its national leadership on public safety issues. For 1996-97 the Governor's Budget proposes expenditures of \$791 million and 9,703 personnel years for the CHP, an increase of 3.2 percent and 1.2 percent, respectively, above the 1995-96 levels.

The mission of the CHP is to protect the lives and property of motorists and to ensure the safe and efficient flow of traffic on the state's highway system. The Department's major priorities are the enforcement of traffic speed laws, elimination of driving-under-the-influence of drugs and alcohol, the use of seat belts by motorists, providing for the safe and

efficient regulation of commercial vehicles (primarily trucks, semi-trailers and buses), traffic congestion relief, vehicle theft reduction, safe transportation of hazardous materials, and stopping the flow of drugs through the state. More than 98,000 miles of California's highways, about two-thirds of all roads in the state, are within the CHP's jurisdiction.

Traffic Safety. The budget includes an augmentation of \$7.3 million from the Motor Vehicle Account to provide funding for 180 vacant traffic officer positions, which will enable the CHP to deploy 6,273 traffic officers by the end of the 1996-97 fiscal year, and a \$5.8 million baseline budget adjustment to provide full-year funding for cadets graduating from the CHP academy during the 1995-96 fiscal year. This is the final year of a three-year expansion plan to fill a total of 500 vacant traffic officer positions.

Collective Bargaining Agreement. The budget contains \$30.0 million for the costs associated with the collective bargaining agreement reached with the California Association of Highway Patrolmen. In addition, the budget provides \$1.9 million to fund the increased costs of overtime associated with the Fair Labor Standards Act requirement that overtime pay be calculated on an employee's total wage base, including special allowances, rather than on just the employee's base salary.

Commercial Vehicle Enforcement. The Governor's Budget proposes \$1.1 million and 18 personnel years to staff and equip a new commercial vehicle inspection facility in Gilroy.

California Motorcyclist Safety Program. In 1986, the Legislature established the California Motorcy-

clist Safety Program to be administered by the CHP. This program includes rider training programs, a public awareness campaign, and research projects. The law provides that all prospective licensed motorcycle riders under the age of 21 must attend a California Motorcyclist Safety Program training course in order to receive a license. The CHP administers the program through a contract with a private vendor who is responsible for the operation of the training sites, public awareness programs, and research and evaluation services. Funding for the existing training program is provided through a surcharge on motorcycle registrations.

The Governor's Budget proposes to privatize this now mature program by turning the rider training program over to driver training schools, which would be licensed by the Department of Motor Vehicles. Motorcyclists receiving the training will pay schools directly. The motorcycle registration surcharge now supporting this program would be eliminated, and the CHP budget reduced by the \$1.5 million collected in support of the program. Legislation to implement this will be proposed. ☞

California Environmental Protection Agency

Established in 1991, the California Environmental Protection Agency (CalEPA) is responsible for safeguarding the environment with regulation that is understandable, enforceable, and uniform. As a result of CalEPA's efforts, improvements are occurring in the following environmental areas:

- ✦ California was successful in convincing the federal government to accept a state-developed air quality plan in lieu of a more rigid federal plan. California's own State Implementation Plan will meet federal standards without the unnecessary job loss and economic hardship for business associated with the federal plan.
- ✦ A cooperative program was developed among governmental water users and environmental groups to protect public trust resources and water supply reliability in the Bay-Delta Estuary.
- ✦ The State has emphasized "voluntary" cleanup by cooperative parties. As a result of legislation signed by the Governor, a pilot program is being implemented to

expedite the cleanup of up to 30 hazardous waste sites.

- ✦ The goal of diverting 25 percent of solid waste from landfills by 1995 has been achieved, and progress toward reaching a 50 percent diversion rate by the year 2000 is underway.
- ✦ High-risk pesticides are being removed from use, with assurance that those pesticides which make it through the assessment process do not pose an unreasonable risk. Reduced-risk products are moving through the registration process faster and reaching the market sooner.
- ✦ California's environmental technology sector continues to set the pace internationally. The State's landmark environmental technology certification program is recognized as a pre-eminent model that is being considered for emulation by other jurisdictions.
- ✦ Progress is being made on implementing plans to save Mono Lake, and to clean up Santa Monica Bay and San Francisco Bay. Morro Bay was successfully

added as a National Estuaries project in 1994.

- ✦ In the regulatory process, reforms are under way to continue to achieve environmental standards while making the process simpler, faster, more decisive, and more accountable.

CalEPA's key goals during 1996-97 will be to:

- ✦ Make continued progress in air quality with the State Implementation Plan in areas ranging from reformulated gasoline to automobile inspection, and maintenance to the low/zero emission vehicle regulations.
- ✦ Achieve a water rights decision that equitably allocates responsibility for requirements to protect the Bay-Delta Estuary.
- ✦ Implement a pilot program for permit consolidation zones authorized by Chapter 872, Statutes of 1995. Consolidating all existing individual permits into a single compliance plan will reduce the delays and conflicts now created by the multiple-agency decisions required to

establish facilities in California. Implementing a recommendation of the California Competitiveness Council, this pilot will also demonstrate the feasibility of replacing up-front permit approvals with a compliance audit program. This approach will speed regulatory decisions, reduce permitting costs, and ensure more effective environmental protection.

✦ Continue expansion of One-Stop Permit Assistance Centers. CalEPA has opened eight Permit Assistance Centers with state and local agencies to assist individuals and businesses with their permitting needs. Additional centers and approaches toward greater accessibility to all centers will be implemented in the coming year.

✦ Authorize Certified Unified Program Agencies, pursuant to Chapter 418, Statutes of 1993. CalEPA is in the process of certifying local agencies to consolidate a number of hazardous waste and materials programs now spread throughout government. The unified program will consolidate several permits, fees, inspections, and reporting requirements.

✦ Prepare recommendations to address the Department of Pesticide Regulation's ongoing funding requirements as a major portion of the mill assessment authorization sunsets in 1997. The Department will recommend changes to restructure departmental processes to ensure continued environmental protection.

CalEPA encompasses the organizations described below.

AIR RESOURCES BOARD

The Air Resources Board (ARB) conducts research, monitors California's air quality, and sets policies for controlling emissions from motor vehicles and consumer products. The ARB and local air district programs and policies are designed to lower pollution levels to meet air quality standards, and to provide a healthy environment for California's residents.

The budget reflects \$6 million in savings related to the completion of the program to reimburse repair costs of fuel-related damage to diesel engines, pursuant to Chapter 781, Statutes of 1994; \$1 million in savings related to completion of the State's contribution for the San Joaquin Valley PM10 study; and \$2.6 million in savings related to reforms to reduce duplicative environmental regulations, which includes personnel year savings realized from the phase-down of the Air Toxics Hot Spots Program. The reduction for 1996-97 totals \$9.6 million.

For 1996-97, \$800 thousand is proposed to implement various statutes related to emission controls. The Office of Environmental Technology was created in 1995-96 within the ARB to coordinate the implementation and expansion of certification throughout CalEPA. An augmentation of \$300 thousand is proposed to enhance the scientific and engineering capability of the ARB to implement air certification requirements, pursuant to Chapter 429, Statutes of 1994, and Chapter 817, Statutes of 1995.

INTEGRATED WASTE MANAGEMENT BOARD

The Integrated Waste Management Board conducts monitoring, research, planning, and education

programs that address the State's solid waste management needs. Recognizing that existing disposal practices cannot meet the growing volume of solid waste, the Board's programs and policies are designed to address California's solid waste disposal dilemma, and lessen the demand upon the State's diminishing natural resources.

Highlights for 1996-97 include the growth and expansion of the Used Oil Recycling Program. Starting with only 65 certified used oil collection centers in 1992-93, there are now over 2,000 centers, and that number continues to increase as more entities join the program. This means increasing amounts of used oil will be diverted from the waste stream. Grant funds are also available through this program to promote and encourage recycling or appropriate management of used oil by the public or small businesses.

Another highlight of 1996-97 is the growth of the Recycling Market Development Zone Program. This program is designed to promote the recycling of waste materials into useful products, and to assist in the establishment of recycling businesses through the use of low-interest loans.

The Solid Waste Disposal and Co-Disposal Site Cleanup Program is new and is designed to assist local governments in cleaning up illegal and abandoned dumping sites where public health and safety are at risk. In only two years of operation, work has been completed at 18 of 36 sites that have been identified.

A final highlight is the Local Enforcement Assistance Program that is providing training, evaluation and technical assistance to local governments to continue the Board's support in helping them meet the mandates set forth in the Integrated Waste Management Act.

DEPARTMENT OF PESTICIDE REGULATION

The Department of Pesticide Regulation has the primary responsibility for regulating all aspects of pesticide sales and use to protect the public health and the environment. The Department's mission is to evaluate and mitigate impacts of pesticide use, maintain the safety of the pesticide workplace, ensure product effectiveness, and encourage the development and use of reduced-risk pest control practices while recognizing the need for pest management in a healthy economy.

Highlights for 1996-97 include the completion of the "harmonization" effort with the United States Environmental Protection Agency to align scientific assessments, and to remove unnecessary duplication of effort in pesticide registration. In addition, the Department will implement an agreement with the State Water Resources Control Board to coordinate water issues related to pesticide usage.

STATE WATER RESOURCES CONTROL BOARD

The State Water Resources Control Board has primary responsibility for maintaining water quality in the State. The Board accomplishes this through planning, research and monitoring programs, as well as regulatory oversight for the State's surface, ground, and coastal waters. In 1996-97, the Board plans to perform some 3,400 compliance inspections of permitted facilities, and issue or update 1,140 permits. The Board also issues permits for water rights, specifying amounts, conditions and timetables for diversion and storage. The Board plans to issue 60 water rights permits and adopt 7 major water rights orders in the coming year.

Other highlights for 1996-97 include the reduction of \$3.8 million of special fund monies in the Board's Water Quality Planning Program. This leaves sufficient funding of \$1.2 million for the adoption of two statewide water quality control plans: the Inland Surface Water Plan and the Enclosed Bays and Estuaries Plan. In addition, a \$350 thousand contract augmentation has been included for implementation of the Bay-Delta Water Quality Standards Control Plan. Also included is the addition of \$10 million for expansion of the Leaking Underground Storage Tank Cleanup Program, which continues the implementation of legislation that scheduled mill assessment increases on petroleum and petroleum products stored in underground tanks. This augmentation will accelerate reimbursements to tank owners who submit claims for cleanup costs. The Board is also providing \$4.5 million for continued assistance to the City of Los Angeles for reclaimed waste water distribution projects, enabling Los Angeles to phase out its use of Mono Lake water.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

The Department of Toxic Substances Control is responsible for overseeing the cleanup of hazardous substance release sites and for monitoring and regulating hazardous waste transportation, treatment, storage, and disposal in California. The Department's programs cover site mitigation (including the stabilization of clandestine drug laboratory sites), hazardous waste management, pollution prevention, waste minimization, and technology development.

Highlights for 1996-97 include the proposed addition of over \$30 million from the General Fund

to support the State's share of cleanup costs at the Stringfellow and Casmalia hazardous waste landfill sites. The State has been found, in federal district court, to be 100 percent liable for the past and future costs of cleaning up the contamination at the Stringfellow site; however, this ruling is under appeal. Continued funding of the Stringfellow site is necessary to provide for future maintenance costs at the site. In the case of the Casmalia site, the State has also been named as a responsible party for a portion of the contamination, and has been put on notice that a bill for its share of the cleanup costs will be forthcoming. Additionally, approximately \$1.6 million (General Fund) has been included to fund an increase in cleanup costs associated with the Clandestine Drug Lab Cleanup Program.

Chapter 638, Statutes of 1995, among its many provisions, reduced the disposal fee and changed the point of fee collection from the waste generator to the disposal site. The Legislature expressed intent that this more efficient collection mechanism result in reduced administrative costs at the Board of Equalization of at least \$1.5 million annually; and, accordingly, the Department's funds for contracting with the Board for fee collection services have been reduced by \$1.5 million. Chapter 638 also requires CalEPA to form a task force to develop recommendations to consolidate and simplify the Department's fees. Proposals will be developed in 1996.

The Hazardous Waste Control Account (HWCA), the Department's primary funding source, continues to experience significant declines in revenue due to a number of factors including statutorily reduced fees and a reduction in the number of waste disposers who pay fees. As a

result, the Department has proposed internal HWCA expenditure and position reductions in 1996-97, as well as a \$1.6 million HWCA funding reduction to the Department of Health Services. These reductions will bring expenditures to a level consistent with anticipated revenues and cause remaining resources to be shifted to the highest priority work.

OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

The Office of Environmental Health Hazard Assessment (OEHHA) protects and enhances public health and the environment by objective scientific evaluation of risks posed by hazardous substances. OEHHA provides CalEPA boards and departments with scientific tools, information, and advice upon which to base risk management decisions. Also, OEHHA is the lead agency for implementation of the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); has responsibility for the Hazardous Substances Cleanup Panel that renders final binding decisions on the allocation of cleanup costs for hazardous waste sites named on the California Superfund List; and is responsible for registering environmental assessors through the Registered Environmental Assessors Program (REA).

In 1996-97, the REA program is proposed to be expanded to include a "Private-Site Manager" designation to speed up contaminated site cleanups and to address various additional responsibilities. Also proposed is the transfer of the Hazardous Materials Data Management Program to the Department of Toxic Substances Control for greater efficiency. Lastly, a reduction of approximately \$1.1 million is

proposed as OEHHA's portion of the phase-down of the Air Toxics Hot Spots Program. ☞

Natural Resources

The Resources Agency is responsible for the State's policies, programs, and activities relating to the conservation, management, and enhancement of California's natural and cultural resources, including land, fish, wildlife, water, timber, and minerals. The Agency has administrative responsibility for 18 state departments, boards, commissions, and conservancies.

In 1991, the Governor launched an ambitious multipart program for a new era of stewardship of California's rich variety of natural and cultural resources. Called "Resourceful California," this program—together with other policy initiatives such as the Governor's State Water Policy Framework—serves as a continuing agenda for resource conservation and management in California. The Administration's vision for this stewardship is predicated on innovative and effective approaches to fully and responsibly conserve the State's diverse resources; to encourage sustainable, long-term economic development; and to promote partnerships between the public, private, and nonprofit sectors.

Among the principal accomplishments of the Agency since 1991 are:

- ✦ Southern California pilot application of Natural Community Conservation Planning (NCCP) program, which provides for local government and private land-owner involvement in comprehensive habitat planning as an alternative to the inflexible, single-species approach of the State and federal Endangered Species Acts.
- ✦ Implementation of the Governor's comprehensive water policy, the first such framework for California in over 25 years, including an historic agreement between the State and federal governments regarding the management of the critically important San Francisco Bay/Sacramento-San Joaquin Delta.
- ✦ Promulgation of comprehensive timber harvest regulations which provide for long-term sustained yield forestry.
- ✦ Creation of the California Environmental Resources Evaluation System (CERES) <http://ceres.ca.gov>) a comprehensive Internet data-

base on California's natural resources.

- ✦ Implementation of the State's first comprehensive wetlands policy, which provides for regulatory streamlining and a long-term increase in quantity and quality of California wetlands, and the facilitation of the State's purchase of the Napa Marsh, the largest public acquisition of coastal wetlands in California history.
- ✦ Improved management of state park lands, increased opportunities for the creation of local parks, and the establishment of new tools for managing historic resources.
- ✦ Continued advocacy for reform of the California Endangered Species Act to move away from species-by-species management to a more integrated multiple-species and habitat planning.
- ✦ Strong advocacy for meaningful reform of the California Environmental Quality Act in order to eliminate redundancy and to facilitate comprehensive environmental reviews.

For 1996-97, the major policy initiatives which are proposed to be pursued by the Resources Agency are as follows:

Institutional and Fiscal Reform of the Department of Fish and Game. Consistent with its strategic planning process, the Department of Fish and Game will be proposing in the spring of 1996 its plan for institutional and fiscal reform. This reform effort is critical to the Department achieving a more effective and responsive organizational structure to fulfill its role and mission to the public and stewardship of the State's natural resources.

Potential Privatization in Select Resources Programs. The Resources Agency, in cooperation with the affected departments, will be exploring and evaluating opportunities that foster greater privatization in selected resource programs/activities such as in the Departments of Parks and Recreation and Boating and Waterways, and the Off-Highway Vehicle Program.

Evaluation of the State's Water Delivery System. Consistent with the Governor's emphasis on infrastructure and privatization, the Resources Agency will undertake a study to explore and evaluate potential alternative financing and operational approaches to ensure the most cost-effective service for all Californians, and that the State's critical water infrastructure needs are met.

Integrated Resource Management for California's Regions. Since 1992, the Resources Agency has had pilot projects in four of the State's ten distinct ecological regions—the Klamath/North Coast, the Sierra Nevada range, the San Francisco Bay/Sacramento-San Joaquin Delta estuary, and the South Coast area. While significant work continues in

the four pilots, the Resources Agency proposes adding new initiatives to two of the pilots, as follows:

✦ **Klamath/North Coast Salmon Fishery.** The Resources Agency, along with the Departments of Fish and Game and Forestry and Fire Protection, is exploring a new, comprehensive watershed approach to the management of the Klamath region's resources with a particular emphasis on the State's coastal salmon fishery.

✦ **The Sierra Nevada Range.** The new funding proposed in the Department of Forestry and Fire Protection's budget will be used to assist local governments and landowners in pursuing cooperative, integrated resource management across the Sierra Nevada bioregion.

Infrastructure Funding for the State's Bay-Delta Restoration Program. Recognizing a critical need for a solution to water issues impacting the San Francisco Bay/Sacramento-San Joaquin Delta ecosystem, and to further the objectives of the Governor's Water Policy Framework, the December 1994 Bay-Delta Accord and the Central Valley Project Improvement Act, a \$220 million General Obligation bond will be proposed for the November 1996 Election. The purpose of the Act will be to finance various infrastructure programs/projects to protect, maintain, restore, and enhance the overall quality of the San Francisco Bay/Sacramento-San Joaquin Delta environment including, but not limited to, agriculture, fish and wildlife habitat, and recreational activities; balanced water supply and flow capabilities; and improved flood control. See *Infrastructure* in the Budget Summary for more details on this program.

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation is responsible for acquiring, preserving, developing, and managing the natural, cultural, and recreational resources in the State Park System, the State Vehicular Area System, and the State Trail System. The State Park System consists of 265 park units, including 38 units administered by local and regional park agencies. These park units contain approximately 3,000 miles of trails on 1.3 million acres; 280 miles of coastline; 811 miles of lake, reservoir, and river frontage; and nearly 18,000 campsites. Approximately 70 million visitor-days are expected in 1996-97.

The Governor's Budget proposes an expenditure level of \$219.7 million, which includes \$180.6 million and 2,772 personnel years for support of state operations; \$20.8 million for local assistance grants; and \$18.3 million in capital outlay projects.

The people of California own a system of parks, beaches, trails, wildlife areas, and other open spaces that is second to none in the United States. Across the more than 265 units of the California State Parks System are some of the most recognizable and most widely visited areas in the country.

Increasing the stewardship of these wonderful resources entails substantial challenges. The usage of state parks increases across the State, yet the traditional sources of revenue available to the Department of Parks and Recreation have declined markedly in recent years. Most importantly, however, General Fund support for the Department has decreased by approximately 50 percent in recent years.

The Administration has insisted that state parks remain open and accessible to all Californians. This essential goal has been achieved by the Department through ingenuity, creativity, and sound stewardship. The efforts include an administrative reorganization that eliminated staff in Sacramento and pushed greater resources into the field; a pilot program in performance-based budgeting that has helped cut costs and maximize badly needed financial resources; and a cooperative agreement with the National Park Service for joint management of the state and national parks in three regions of California.

However, none of these actions—singularly or collectively—has fully met the growing fiscal challenge for the State Parks System. While park fee revenue, entrepreneurial activity, and innovative funding strategies have increased to fill most of the funding gap, the loss of General Fund support continues to severely challenge the Department's ability to keep all parks open.

In light of this reality, the Governor has directed the Department of Parks and Recreation to build on its recent management successes and to design a sound, long-term strategy for the parks system to adapt to these changing fiscal realities. As a result, the Department has undertaken a comprehensive re-evaluation of its functions and resources.

The Department proposes a five-year plan to make state parks more financially stable through new and continuing strategies, including increased privatization efforts; wider use of the transfer of control and/or management of park units to local governments and the nonprofit sectors; new fee structures; and performance-based budgeting. In addition to generating \$3 million

more in revenues, an initial General Fund augmentation of \$16.4 million will be provided in 1996-97 for the support of the Department. This level of augmentation will be phased out over a five-year period upon implementation of a new financial model, which includes privatization opportunities and flexibility in state administration/operational processes. This plan will allow the State to pursue opportunities that realign its parks and recreation services provided to the public on a statewide basis.

Performance-Based Budgeting. As one of the departments in the Performance-Based Pilot Project, the Department negotiated a performance-based budget agreement with the Legislature for the 1995-96 fiscal year. The performance agreement is contained in a Memorandum of Understanding (MOU) that identifies performance measures, specific relief from control agencies, and a specified level of budgetary support. It is anticipated that over the next few years the Department's entire budget will be presented in terms of outcome/measures.

CAPITAL OUTLAY

The Governor's Budget proposes a \$18.3 million capital outlay program for the Department. Program funding would provide for public safety within parks with \$2.5 million for a Southern California multi-district emergency dispatch center and a storm damage response program. The budget also proposes \$1.8 million to repair the failing sewer system at Pfeiffer Big Sun State Park and \$2.5 million for acquisition of habitat areas, with \$1 million of that designated for the Santa Lucia Mountains. Approximately \$8.2 million in restricted funds from the Off-Highway Vehicle Fund would be used to establish a state vehicular recreation area in

San Diego and expand an existing park in Hollister.

DEPARTMENT OF FISH AND GAME

The objective of the Department of Fish and Game is to maintain all species of fish and wildlife for their natural and ecological values, varied recreational uses, and economic values. The Department manages more than 500,000 acres of wildlife habitat, including 80 wildlife areas and 67 ecological reserves. The Governor's Budget proposes \$165 million and 1,947 personnel years for the Department's state operations and local assistance programs.

Institutional and Fiscal Reform. The Department of Fish and Game needs fundamental, organizational, and fiscal reform to enable it to meet current challenges and prepare it for the 21st century. The Department, which is at the focal point for reconciling the demands of a growing population with the needs of California's enormous natural heritage, has not been systematically reorganized since the 1950s. Additionally, major new statutory responsibilities have been assigned the Department over the last two decades.

In May 1995, the Department released its strategic plan which maps out the strategic direction the Department must take to effectively fulfill its mission. Among other things, the plan, where appropriate, shifts the Department's focus from single-species management to broad large-scale habitat and ecosystem management. Once the organizational and programmatic reforms are under way, then attention will be directed towards fiscal reform of the Department.

Consistent with the themes outlined in the plan and the institutional reform, the Department will be developing a long-term and stable funding strategy from appropriate funding sources to support its general resource conservation and environmental protection programs. Additionally, the Department will revise its fiscal management policies, practices, and systems; its revenue forecasting techniques; and its fiscal management reporting capabilities.

Klamath/North Coast Salmon Fishery Initiative. The Resources Agency, together with the Departments of Fish and Game and Forestry and Fire Protection, has undertaken a new, comprehensive approach to the management of California's coastal salmon fishery. This effort is to prevent the usual adverse economic impacts and regulatory burdens that accompany the listing of species under the federal Endangered Species Act, such as in the case of the Coho Salmon. An assessment to determine the feasibility of such an integrated watershed program, as well as associated costs and future direction, will be completed in the spring of 1996.

Creation of a Comprehensive Model Wetlands Program. In August 1993, the Governor announced the State Wetlands Conservation Policy. The primary objectives are to realize a gain of wetland acreage in the long term, with no net loss in the short term; reduce the regulatory complexity surrounding wetland issues; and promote cooperative partnerships to encourage wetlands protection.

- ✦ Since establishment of the policy, the Resources Agency has:
- ✦ Acquired over 10,000 acres of wetlands in the northern

San Francisco Bay and 3,500 acres in the Yolo Basin Wildlife Area, a multi-use project incorporating wetlands protection, flood control, wildlife, and agriculture.

- ✦ Begun the Sonoma Baylands Restoration Project, which is restoring a wetland to its natural tidal regime while allowing the disposal of dredge deposits from the port of Oakland.
- ✦ Restored Batiquitos Lagoon to its natural tidal habitat.

- ✦ Begun developing a computerized State Wetlands Information Clearinghouse using the State's CERES computer network. This Wetlands Information Clearinghouse will house information on wetland resources, agencies responsible for wetland-related activities, restoration and mitigation information, and the steps necessary to obtain a wetland permit.

Funding proposed for wetland activities in 1996-97 includes:

- ✦ \$350 thousand to provide staff and operating expenses to support the development and maintenance of a statewide wetlands inventory database.
- ✦ \$450 thousand to implement wetlands conservation policy in the San Francisco Bay Area and Southern California.
- ✦ \$600 thousand to continue the operation and maintenance of the Yolo Basin Wildlife Area.
- ✦ \$1.5 million to continue the operation and maintenance of Central Valley Waterfowl habitat.
- ✦ \$60 thousand to continue providing staff for the Riparian Joint Venture.

Additional wetland efforts are funded with federal and private dollars.

WILDLIFE CONSERVATION BOARD

The Wildlife Conservation Board, working in conjunction with the program directives of the Department of Fish and Game, acquires, preserves, protects, develops, enhances and restores wetlands, riparian habitat, wildlife habitat, lands supporting California's unique, threatened or endangered plants, animals, and natural communities, and provides access to the State's fish and wildlife natural resources. For 1996-97, the Governor's Budget proposes \$23.5 million and 14 personnel years for the Board's state operations, local assistance and capital outlay programs.

Protecting Rivers and Riparian Habitat. In 1991, the Riparian Habitat Conservation program was established in the Wildlife Conservation Board by Chapter 762, Statutes of 1991. In 1993, the program began a statewide inventory of riparian resources as the first step. Under the program, the Board has begun protecting important riparian resources in the Santa Margarita and Cosumnes River watersheds.

Chapter 1251, Statutes of 1993, authorized the acquisition of land for open space conservation, habitat protection, and riparian restoration in the vicinity of the Stanislaus, Tuolumne, Merced, and San Joaquin Rivers. Studies were conducted on Mill and Deer Creeks in Tehama County which determined that segments of both creeks were eligible and suitable for inclusion in the California Wild and Scenic Rivers System. The Secretary for Resources recommended that Mill Creek be considered for inclusion

and that Deer Creek consideration be withheld for one year while a watershed management plan is being developed. Subsequently, the Governor signed Chapter 183, Statutes of 1995, which protects both creeks from major dams, diversions, and other water impoundment facilities.

Inland Wetlands Conservation Program. The budget proposes \$1.0 million to continue wetland programs identified in the Central Valley Habitat Joint Venture Plan.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

The Department of Forestry and Fire Protection (CDF) provides fire prevention and suppression for approximately 36 million acres of publicly and privately owned wildlands, and administers local government fire protection under contract. The Department regulates logging practices on private forestland, provides advisory assistance on forest management to landowners, administers urban forestry grants, regulates controlled burning of brush lands, and manages eight state demonstration forests and two state nurseries. The budget proposes a total of \$410.1 million and 4,651 personnel for the Department's state operations and local assistance programs.

Pre-Fire Management. The distinction among urban, rural, and wildland fire environments has become less clear in recent years because of the State's rapid population growth and accompanying residential, commercial, and industrial development in rural and wildland settings. The increased complexity of the fire problem in California is creating new management challenges for all fire management agencies that must be ad-

dressed in a cooperative and thoughtful manner.

The Board of Forestry is required by the Public Resources Code to develop a fire plan for State-responsibility wildlands in California that assures equal protection to lands of similar type. In this environment, the Board has opted to utilize a new framework for meeting its statutory responsibility. This framework provides an opportunity to consider efforts aimed at preventing the damage fires can cause, reducing the cost of suppressing fires, and improving forest health.

To provide tools to enable the Board of Forestry to embark on its new approach through the fire plan, CDF has begun a Pre-Fire Management Initiative. This is a comprehensive application of fire safety, fire prevention, and fire hazard reduction techniques. For 1996-97, the budget includes \$800 thousand for an initial nine Pre-Fire Engineers to build on existing efforts to provide a comprehensive, statewide pre-fire management approach. Full implementation in all CDF ranger units will occur by spring 1999.

CDF/State Fire Marshal Consolidation. On September 6, 1995, the Governor's Reorganization Plan No. 3, as introduced on June 16, 1995, became effective. This plan provides for the consolidation of fire services provided by CDF and the Office of the State Fire Marshal, and ensures the efficient and effective protection of the public. In 1996-97, the programs and activities of the State Fire Marshal will be fully integrated into CDF.

CAPITAL IMPROVEMENTS

The Governor's Budget for 1996-97 proposes a \$16.7 million capital outlay program for CDF to repair and replace critical public safety

facilities and related vital infrastructure to allow CDF to meet its mission.

DEPARTMENT OF WATER RESOURCES

The Department of Water Resources (DWR) protects, conserves, develops, and manages California's water for many uses, including agricultural, industrial, municipal, and environmental. The Department operates the State Water Project (SWP), which consists of 27 dams and reservoirs, 26 power and pumping plants, and over 700 miles of aqueduct. The Department also manages the State Water Bank, purchasing water from districts or agencies with surplus water in storage and from farmers or districts that can replace their surface supply by pumping groundwater. The budget proposes a total of \$340.9 million and 2,795 personnel years for the Department's state operations and local assistance programs.

State Water Project (SWP). The Department is completing construction of the SWP's Coastal Branch, with a scheduled operational date of November 1996. The project includes a 102-mile buried pipeline, four pumping plants, a power recovery plant, and four water storage tanks. The aqueduct will transport SWP water to San Luis Obispo and Santa Barbara Counties. Several distribution facilities are concurrently being constructed by local water purveyors to convey SWP water to service areas within the counties.

Mono Lake. The budget proposes \$9 million for the third year of a four-year project by the City of Los Angeles to replace diversions from Mono Lake and restore historical water levels in the lake.

Water Conservation. The budget proposes \$300 thousand and two personnel years for an On-Farm Seasonal Irrigation Efficiency and Water Use Proposal as part of the Agricultural Water Conservation Program. This proposal will help improve irrigation management statewide through irrigation scheduling and irrigation system evaluation for the industry. In addition, \$300 thousand and two personnel years are proposed for the Evaluation of Effectiveness of Water Efficiency Programs in Industry, which will support DWR's Urban Water Conservation Program to promote efficient water management by commercial, industrial and institutional water users.

CAPITAL OUTLAY

The budget proposes \$6.4 million for ongoing local flood control projects (West Sacramento Levee Project, Mid-Valley Levee Reconstruction Project, and Sacramento River Bank Protection Project). The budget also proposes \$1 million to continue implementation of the San Joaquin Valley Drainage Relief program. This program, initiated in 1995-96, purchases agricultural land in drainage problem areas from willing sellers, retires it from agricultural use to alleviate drainage problems, markets the water and uses the proceeds to continue land purchases. The retired land will be used to restore wetlands in the San Joaquin Valley. The statute authorizing this project requires that the program reach self-sufficiency. The Resources Agency will be studying the best path to achieve that goal during 1996-97.

DEPARTMENT OF CONSERVATION

The Department of Conservation protects California's earth resources through the promotion of conserva-

tion practices and wise use of the State's land, energy, and minerals. The budget for 1996-97 proposes \$414.4 million and 600 personnel years for the support of the Department's programs.

Beverage Container Recycling Program. The objectives of this program are to ensure: (1) each beverage container type included in the recycling program reaches an 80 percent recycling goal, (2) litter is reduced statewide, and (3) recycling opportunities maximize convenience, to the extent possible.

The budget proposes \$385.4 million and 194 personnel years in support of the Beverage Container Recycling and Litter Reduction program.

While the Recycling program has significantly decreased the flow of beverage containers to landfills, recycling rates can still be increased. In response to this situation, Chapter 624, Statutes of 1995, was enacted to reduce recycling program expenditures, reduce processing fees paid by beverage distributors and container manufacturers into the California Beverage Container Recycling Fund (CBCRF), and increase processing fee payments from the CBCRF to processors and recyclers. Without Chapter 624/95, the existing processing and recycling fee structure would have expired on January 1, 1996. This would have then required the Division of Recycling to revert to using its "old" fee calculation methods, thus resulting in higher fee assessments to beverage container manufacturers and distributors. This legislation would distribute accumulated CBCRF reserves back to recycling industry businesses. In addition, this legislation also established two new accounts within the CBCRF to provide funds for increased recycling of plastic and bimetal beverage containers. These

program changes begin January 1, 1996, and expires on January 1, 1999. The budget reflects recycling program expenditure reductions of \$1.3 million in 1995-96 and \$1.7 million in 1996-97. These provisions continue the current regulatory design of the existing program. It is the intent of the Governor to examine the use of market forces as an equally effective alternative to achieving California's recycling goals.

Agricultural Land Conservation. The Agricultural Land Stewardship Program was established by Chapter 931, Statutes of 1995, to protect and conserve prime agricultural land threatened by development thus resulting in the permanent loss of this valuable environmental and economic resource. This program would identify agricultural lands that are subject to immediate development pressures and would offer grants to local governments and nonprofit entities for the purchase of conservation easements to retain these lands for agricultural uses in perpetuity. The budget proposes \$1 million in 1996-97 for this purpose.

THE CALIFORNIA CONSERVATION CORPS

The California Conservation Corps (CCC) carries out a dual mission: the conservation and development of the State's natural resources, and the employment and development of young men and women. By bringing California's youth and the environment together, the CCC provides substantial benefits to both.

The CCC provides over three million hours of natural resource work and disaster assistance each year. The estimated 1,860 corpsmembers budgeted in 1996-97 work for local, state, and federal

agencies in cities and rural areas. Typical projects include landscaping and construction work, trail building, wildlife habitat rehabilitation, stream and creek clearance, erosion control efforts, retrofitting work for energy savings, and historic renovation. The CCC serves as one of California's emergency response forces, providing assistance in earthquake recovery, firefighting, flood control, oil spill cleanup, and snow removal.

During the course of their year in the CCC, corpsmembers prepare for the work force by developing job skills and strengthening academic skills. Corpsmembers take classes ranging from GED instruction to community college courses; centers also have computer labs to boost computer literacy.

The 1996-97 budget proposes \$60.6 million for CCC operations. The CCC, designated as a performance-based budget department, continues to seek and obtain both special funding as well as additional project reimbursement funds for high quality conservation work.

For 18 years, the CCC has demonstrated the potential of our youth to be willing, capable, and valuable contributors to meeting the State's needs. Building on this track record of success, Governor Wilson has committed to increase the size of the CCC 50 percent by the year 2000. In fulfillment of this commitment, the budget includes \$543 thousand from the General Fund to expand both state corps and associated local corps programs by 60 corpsmembers.

STATE CONSERVANCIES

The California State Coastal Conservancy assists in the preservation of sensitive or unique coastal property, increases public access to coastal

areas, resolves coastal land use disputes, and provides grants for various coastal activities. In accordance with the California Wildlife Protection Act of 1990, the Governor's Budget for 1996-97 proposes \$4 million from the Habitat Conservation Fund to be used for Coastal Resource Enhancement activities. An additional \$688 thousand is proposed from the State Coastal Conservancy Fund of 1976 for public accessway projects. This program funding would provide for the construction of public accessways in Malibu, Mendocino, and the San Francisco Bay Area as well as a statewide program to facilitate acceptance of offers to donate public access easements.

The Tahoe Conservancy acquires, preserves, and manages lands in the Lake Tahoe region to protect the natural environment, provide public access and recreational facilities, and preserve wildlife habitat areas. In response to a dead and dying tree crisis affecting 25 to 40 percent of the trees in the Tahoe Basin and increased acreage acquired by the Conservancy, the 1996-97 Governor's Budget proposes an increase in operating support of \$236 thousand from the General Fund. The Conservancy will hire crews through the California Conservation Corps and California Department of Forestry and Fire Protection to remove dead trees and other fire hazards from Conservancy land. An additional \$4.5 million in funding from the General Fund and \$483 thousand from the Habitat Conservation Fund are proposed for capital outlay and local assistance programs. Program funding will provide for acquisition, construction and restoration projects to enhance: public access, wildlife habitat protection, soil erosion control, stream environment zone

and watershed restoration and lake water quality.

The San Joaquin River Conservancy acquires and manages public lands within the San Joaquin River Parkway for conservation and public enjoyment. The 1996-97 Governor's Budget proposes \$93 thousand from the Environmental License Plate Fund (ELPF) for start-up administrative support which will allow the Conservancy to develop a five-year capital outlay plan and prepare a blueprint for self-sufficiency. The budget proposes an additional \$40 thousand from ELPF for repairs to an existing Conservancy-owned facility that will allow the Conservancy to establish an office/interpretive center within the parkway area.

The Coachella Valley Mountains Conservancy acquires and holds for conservation and public enjoyment the public lands in the mountainous area surrounding the Coachella Valley. The 1996-97 Governor's Budget proposes \$98 thousand from the ELPF for start-up administrative support. Two years of seed funding will assist the Conservancy to develop a five-year capital outlay plan and self-sufficiency plan and is expected to be adequate to give the Conservancy an opportunity to achieve self-sufficiency.

DEPARTMENT OF BOATING AND WATERWAYS

The program objectives and responsibilities of the Department of Boating and Waterways are developing and improving boating facilities throughout the State, and promoting the safety of persons and property connected with the operation of vessels. The Department administers a local assistance program to develop boating facilities and programs for boating safety, education, water-related law en-

forcement, beach erosion control, water hyacinth control, and the construction of boating facilities in the State Park System and State Water Project reservoirs and to license yacht and ship brokers and for-hire vessel operators. To meet these needs, the 1996-97 Governor's Budget proposes \$40.1 million in expenditures and 66 personnel years.

With these funds, the Governor's Budget provides \$8.7 million for small craft harbor loans to public agencies to make access and shoreline improvements, to construct new berths, and to repair existing facilities; \$4.1 million for grants to construct new, and to improve existing, boat launching facilities on lakes and rivers; \$6 million for loans for private marina development and improvements; \$4.5 million for capital outlay projects primarily to construct new, and to improve existing, boating facilities at nine state parks and other public lands; and \$2.8 million for levee repairs and maintenance. In addition, the Governor's Budget provides \$7.6 million in aid to local agencies for boating law enforcement, which is double the amount that was provided in 1995-96. ☞

Trade and Commerce

The Trade and Commerce Agency was created by the Governor in 1992, to better focus California's efforts on economic development and job creation in an increasingly competitive business environment. The Agency serves as the state's primary organization for promoting business development and job retention efforts, including assisting in-state expansion of existing companies while nurturing the growth of emerging industries, technologies, and small businesses. The Agency develops and oversees international trade policy and marketing through its export finance, foreign trade, and investment functions. The Agency provides business assistance services through its four regional economic development offices within California and seven international trade and investment offices.

The Agency also seeks to improve the strength of the California economy by working closely with domestic and international businesses, economic development corporations, chambers of commerce, regional visitor and convention bureaus, and permit-issuing governmental agencies. The Agency's goal of increasing

California's competitiveness in the business community is further served through the Offices of Permit Assistance, Strategic Technology, Business Development, Tourism, Marketing and Communications, California-Mexico Affairs, and the California Film Commission.

The Governor's Budget for 1996-97 proposes total expenditures of \$69 million and 286 personnel years, a reduction of \$14 million and 13 positions from the current fiscal year. The 1995-96 budget reflects significant one-time expenditures of bond funds, special funds and federal funds which are not repeated in 1996-97.

Major budget proposals for 1996-97 include:

Matching Grants for Communities with Closing Military Bases.

An augmentation of \$3 million to the Defense Adjustment Matching Grant Program, to provide matching grants to local agencies for military base reuse and defense conversion planning and implementation.

Economic Development Marketing Fund. An augmentation of \$500 thousand for increased

advertising and marketing of California's business climate and as a location for businesses to expand or locate. The new funds will be targeted for marketing closed military bases (\$250 thousand), promoting film production in California (\$100 thousand), and cooperative marketing projects (\$150 thousand).


Regulation Review Unit. An augmentation of \$400 thousand and 5 positions to continue the Regulation Review Unit (established in 1995) for the purpose of reviewing economic and business impact assessments regarding proposed environmental regulations to ensure that negative impacts on the state's business climate are minimized.

Expansion of the Petroleum Underground Storage Tank Program. An augmentation of \$301 thousand and 3 positions to provide additional support and loan funds for the Replacement of Petroleum Underground Storage Tank (RUST) Program. The RUST program makes loans to persons to upgrade, replace, or remove petroleum underground storage tanks to meet applicable local, state, or federal standards. Chapter 431, Statutes of

1993, (AB 2040) abolishes various restrictions that will enable more loan applicants to qualify including unlicensed and undocumented underground storage tank owners. Net local assistance expenditures show a reduction because this maturing program is beginning to produce a substantial amount of loan repayments which offset expenditures.

Technology Assistance Program.

An augmentation of \$522 thousand from federal funds to expand the Agency's ability to provide technology development assistance. In particular, these funds will support the Agency's "Gold Strike Partnership," a network of Regional Technology Alliances and the state Office of Strategic Technology, to assist the formation and growth of new private sector products and services from technology-based companies.

Project California. An augmentation of \$322 thousand from federal funds to extend the funding of Phase II of Project California into 1996-97. Project California is a partnership of state and federal agencies and private industry to form industry alliances for building internationally competitive advanced transportation industry clusters in California. Nine alliances have been formed to promote commercialization of new products and technology in the areas of electric vehicles, telecommunications, advanced transit, fuel cells and magnetic levitation. It is anticipated that the alliances will continue without further state support in subsequent years. 

Business, Transportation and Housing

The strength of the California economy depends upon efficient markets and sound infrastructure that supports business and housing development. The Business, Transportation and Housing Agency provides leadership and oversight over state programs that develop and maintain the state's transportation infrastructure, regulate businesses to ensure efficient and fair markets for financial, real estate and managed health care service organizations, and assist our communities to expand the availability of affordable housing to accommodate an expanding workforce—components necessary to sustain California's growing economy.

In addition, the Agency contributes to the Administration's efforts to enhance public safety through oversight over the California Highway Patrol and the law enforcement efforts of the Department of Alcoholic Beverage Control.

Table BTH-1 displays the funding proposed in the Business, Transportation and Housing portion of the Governor's Budget. The majority of the funding is provided from special fund revenues and federal funds. Significant General Fund expendi-

tures are made for general obligation bond debt service for voter authorized rail and housing pro-

grams and to support a variety of programs in the Department of Housing and Community Develop-

TABLE BTH-1

Business, Transportation and Housing Proposed 1996-97 Expenditures All Funds (Dollars in Thousands)

| | State Operations | Local Assistance & Capital Outlay |
|--|---------------------|--|
| Agency Secretary | \$2,146 | — |
| Department of Alcoholic Beverage Control | 29,461 | — |
| Alcoholic Beverage Control Appeals Board | 533 | — |
| State Banking Department | 16,069 | — |
| Department of Corporations | 34,074 | — |
| Department of Housing and Community Development | 36,230 | \$119,428 |
| California Housing Finance Agency | 14,103 | — |
| Office of Real Estate Appraisers | 4,623 | — |
| Department of Real Estate | 26,541 | — |
| Office of Savings and Loan | 441 | — |
| California Transportation Commission | 2,313 | 180,000 |
| Special Transportation Programs | — | 76,100 |
| Department of Transportation | 1,809,133 | 3,666,215 |
| Office of Traffic Safety | 14,824 | 10,682 |
| California Highway Patrol | 790,896 | 10,000 |
| Department of Motor Vehicles | 531,043 | 9,483 |
| Stephen P. Teale Data Center | 78,434 | — |
| Bond Debt Service | 296,246 | — |
| Totals | \$3,687,110 | \$4,071,908 |

ment. As part of its annual budget review, the Agency has directed several departments to reduce and revise their budgets to more accurately reflect current program delivery plans.

TRANSPORTATION

State expenditures for transportation and related public safety programs are provided in varying degrees by the Department of Transportation, the California Transportation Commission, the California Highway Patrol, the Department of Motor Vehicles, the Office of Traffic Safety and local government agencies. Most of the revenue to support transportation expenditures in the state is derived from state and federal fuel taxes, the sales and use tax on diesel fuel, motor vehicle license and registration fees, weight fees for trucks and trailers, and local sales taxes. Approximately \$7.1 billion in expenditures on roads, highways, mass transit, vehicle licensing and registration, and public safety are proposed in the Governor's Budget for 1996-97.

DEPARTMENT OF TRANSPORTATION

The California Department of Transportation (Caltrans) constructs, operates and maintains a comprehensive transportation system of more than 15,200 miles of highways and freeways and provides rail passenger services under contract with Amtrak. The Department also provides technical assistance and development loans to more than 100 of California's public general aviation airports. The Governor's 1996-97 Budget proposes total Caltrans expenditures of nearly \$5.4 billion from federal funds, reimbursements and various state funds and staffing of 16,774 personnel years.

Placing safety first, the Governor has ensured that funds are available for safety projects as his top transportation priority. This includes seismic safety retrofit and other vital, new construction projects that are critical to ensuring the safety and integrity of the transportation system while promoting the efficient movement of people, goods and services.

A major goal of the Administration has been to make the most effective use of taxpayers' dollars. Consistent with this philosophy, the Governor's Budget proposes to continue and expand an initiative begun in the 1995-96 fiscal year to return responsibility and accountability for delivery of local projects and programs to the local agencies. In addition, the budget proposes to shift quality assurance and quality control work on highway projects to project contractors, and to eliminate the department's role in administering the rideshare program. These initiatives are expected to yield total annual reductions of \$33 million and 375 personnel years of savings. By reducing the Caltrans bureaucracy and reinvesting the savings and efficiencies in the capital outlay program, more resources can be directed to transportation projects that benefit the taxpayers and California commerce.

Long Term Transportation Plan.

The 1996-97 Budget marks the sixth year of implementation of the transportation plans which were approved by the voters in June 1990. With the Transportation Congestion Relief and Spending Limitation Act of 1990 (Proposition 111) and the Passenger Rail and Clean Air Bond Act of 1990 (Proposition 108), the voters approved a ten-year, \$16.5 billion increase in new transportation revenues (also referred to as the Transportation Blueprint for the 21st Century).

California voters also approved the Clean Air and Transportation Improvement Act (Proposition 116), a \$2 billion bond measure for rail transit, in June 1990. Funding from this measure is appropriated to the California Transportation Commission. The Commission estimates that it will expend about \$160 million from this measure in 1995-96 and \$180 million in 1996-97.

A major portion of the "Transportation Blueprint" specific allocations in the seven-year State Transportation Improvement Program (STIP), which is updated every two years. The 1992 STIP was the first STIP adopted after the Transportation Blueprint legislation was enacted. By 1994, the California Transportation Commission realized that there would be a shortfall in funding the 1992 STIP of approximately \$3 billion. This shortfall was addressed in the 1994 STIP by not adding any new projects to the STIP, thereby stretching out the period for funding those projects programmed in the 1992 STIP by two years, and by proposing reductions in Department of Transportation support expenditures and making these savings available to fund capital projects in the STIP. The Department of Transportation indicates that funding for the 1994 STIP will fall short of being fully funded by approximately \$4.6 billion. This shortfall is due to the need to fund new seismic retrofit projects from existing revenues; the failure of two bonds included in the original Transportation Blueprint funding scheme; the failure of Congress to appropriate the full authorization of federal transportation funds; gas tax revenues falling below estimates and the transfer of funds to other budget priorities.

This shortfall will severely limit the ability of the California Transportation Commission to program new projects in the 1996 STIP, except for projects substituted for projects that were previously programmed, for the second STIP in a row. Projects are expected to be delayed by an average of two years compared with the 1994 STIP schedules. Even with the additional two years of funding in the 1996 STIP for the projects remaining from the 1994 STIP, the department indicates that the 1996 STIP will fall \$600 million short of funds for these remaining projects.

Recent federal actions, however, may help to mitigate this shortfall. As part of the federal Intermodal Surface Transportation and Efficiency Act (ISTEA) innovative financing project, the Federal Highway Administration has approved a "pay as you go" method of using federal obligational authority on state highway projects. This change will allow the states to collect federal funds approximately one year earlier, and will eliminate the need to use state cash to front capital outlay expenditures. The effect of this federal change is estimated to increase funds available for programming in the early years of the 1996 STIP ranging between \$200 to \$400 million above the level anticipated in August 1995 when the STIP Fund Estimate was prepared. In addition, new provisions of the National Highway System legislation recently enacted have lessened the impact of the funding cap imposed by ISTEA. The effect of this action will be to increase California's share of federal transportation funds by \$93 million in 1996-97 compared to the original 1996 STIP Fund Estimate. These federal actions will significantly mitigate the need to defer programmed STIP projects and will eliminate the need to use short term borrowing that had previously been

planned for Phase II seismic cash flow.

Seismic Retrofit and Earthquake Recovery and Restoration.

Caltrans continues its efforts to restore the damages caused by the 1989 Loma Prieta earthquake, the 1994 Northridge earthquake, and to seismically retrofit structurally deficient bridges. Caltrans' Seismic Retrofit Program for highway bridges consists of two phases. In Phase I, Caltrans is making improvements in the seismic safety on 1,039 structures at an estimated cost of \$760 million. As of December 14, 1995, Caltrans had completed construction on 870 of these structures; and had 156 structures under construction. The remaining 13 are scheduled for construction by the end of the 1995-96 fiscal year.

Subsequent to the Northridge earthquake, Caltrans evaluated 1,655 additional structures and determined that 1,202 needed some retrofit. Retrofit of 195 of these structures is either completed or under way. The department estimates that the completion of the seismic improvements on these structures (Phase II) will cost approximately \$1.35 billion, and take until fiscal 1997-98 to complete.

In addition to the seismic retrofit of highway bridges and overpasses, Caltrans also must make seismic improvements to seven state owned toll bridges. The department estimates a total cost of \$650 million to complete these improvements. Design work on the San Francisco-Oakland Bay Bridge is currently underway. In order to meet accelerated delivery goals of toll bridge seismic retrofit schedules, the department has contracted with private firms for structure design on six of the seven toll bridges. Approximately \$57 million

in toll bridge revenues and State Highway Account funds will be expended through the 1995-96 fiscal year on this effort; for the 1996-97 fiscal year, the Governor's Budget reflects expenditures of \$156 million (\$37 million in support and \$119 million in capital outlay). Since the diversion of additional State Highway Account resources would adversely impact other critical STIP projects, the Budget reflects 1996-97 toll seismic retrofit costs funded from the Toll Bridge Revenue Account pending the outcome of the March 1996 election with regard to the seismic bonds.

Bonds for Seismic Retrofit. Rather than allow seismic retrofit projects to be delayed by lack of funds, the Governor and the Legislature directed that they be given top priority. However, this has the consequence that there will be fewer, if any, funds left to start new highway projects during the years these projects are being constructed. As a result, projects that many communities counted on to deal with serious safety problems, congestion and to support highly desirable economic development will be delayed.

Recognizing this undesirable consequence, the Legislature and the Governor are proposing a \$2 billion bond issue for the voters consideration in the March 1996 election to cover the unforeseen costs of retrofit of the state's highways and bridges. Passage of the bond will provide the vital funding needed to complete the second phase of seismic retrofitting—and help restore some of the most critical transportation projects that have been deferred.

Detailed budget proposals for the use of the bond funds will be submitted to the Legislature after

the election and the subsequent adoption of the 1996 STIP which will allocate the funds to specific projects.

Protection of Transportation Investment. The Governor's Budget proposes a total of \$672 million for maintenance of the existing State Highway System. This includes a \$7.4 million increase proposed for this program in order to adequately maintain highway system roadways, structures and landscaping and to maintain the additions to the highway system inventory. The department plans to use the private sector for a variety of maintenance work as a more effective way of doing business. To achieve this, the 1996-97 budget proposes that 310 personnel years of landscape, repair, and other maintenance work be achieved through contracts with the private sector. The budget reflects total adjustments of approximately \$13 million for various cost increases.

Capital Program. The 1996-97 Budget proposes the expenditure of \$2.7 billion for current and new highway construction projects. Construction funds include \$743 million in State Highway Account funds, \$149 million in Consolidated Toll Bridge funds, \$1.2 billion in federal funds, and \$570 million from local tax measures and other local sources. Due to the fact that the 1996 STIP will not be adopted by the California Transportation Commission until March of 1996 at the earliest, the capital expenditures in the budget, and associated capital outlay support are based on departmental estimates of project workload. The budget provides for a \$378 million reserve in the State Highway Account for projects in the 1996 STIP.

Intercity Rail. In California, all state supported intercity rail service is currently operated by Amtrak under provisions of the Amtrak Act. Caltrans supports passenger services on three routes: 1) the San Diegan, on the San Diego-Los Angeles-Santa Barbara route; 2) the San Joaquins, which run between Bakersfield and Oakland; and 3) the Capitols, inaugurated in December 1991, which run along the Roseville-Sacramento-Oakland-San Jose corridor. Service on the San Diegan currently consists of nine round trips per day. The San Joaquin provides four round trips per day, and service on the Capitols consists of three round trips per day.

As final budget decisions were being made on this item, Amtrak announced a potentially major cost increase for the existing intercity rail services in California. The budget does not include an augmentation to compensate for any new Amtrak costs which may require additional funds or a reallocation of existing funds. There are many variables which affect costs and revenues which are likely to change before the 1996-97 budget is enacted. Caltrans is working with Amtrak in an effort to understand the rationale for the proposed cost increase and to reach agreement on ways to preserve the existing level of service at a reasonable cost.

DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) is responsible for enhancing driver safety through the licensing of drivers, protecting the public by regulating the vehicle industry, issuing identification documents and collecting licensing and registration revenues. As part of this responsibility, DMV collects revenue for various state and local government programs and provides

information from its driver's license and registration files. The Governor's Budget proposes \$531 million and 8,103 personnel years for DMV to carry out its responsibilities in 1996-97.

Highway Safety. A reduction of \$3.4 million is proposed in order to reflect a lower than anticipated cost of implementing the provisions of Chapter 1133, Statutes of 1994 (AB 3148) and Chapter 1221, Statutes of 1994 (SB 1758). These two bills have overlapping provisions that require the DMV to notify individuals whose license is being suspended by certified mail, and if this is not possible, by a process server. In addition, AB 3148 requires local law enforcement officers to impound the vehicle of anyone found driving without a valid license, who has a prior conviction of this offense and provides for the forfeiture and sale of the vehicle under specified circumstances.

The Governor's Budget also proposes \$1.0 million and 25 personnel years for DMV to continue a pilot of a more rigorous behind the wheel driving examination in Los Angeles, San Diego, and Orange counties. The funding will also provide for an expansion of the pilot to an additional 23 field offices which will complete the three county area and add San Bernardino and Riverside counties. Based upon a two year pilot study in the original three Southern California counties, it was determined that the competency based driving test more reliably and objectively evaluated an individual's driving ability. This augmentation will allow the department to expand implementation of the competency based driving test throughout the five county area. This project also sets the stage for future delegation of this driving test by developing a standardized evaluation of skills.

This is a preliminary step in the identification of functions that could be outsourced. As a further indication of the department's commitment to enhance customer service, the Department will begin implementation of a pilot project in Los Angeles, Orange, and San Diego counties to delegate its driving test for provisional (under age 18) drivers to private driving schools in the 1996-97 fiscal year.

Business Process Reengineering. The Governor's Budget proposes an augmentation of \$1.1 million in the 1996-97 fiscal year, in addition to \$900 thousand the department is redirecting in the 1995-96 fiscal year, to enable the department to contract with a consultant to assist the department in its Business Process Reengineering efforts. The Business Process Reengineering project is intended to provide the department with the strategies for improving their critical business processes, and on the basis of this, to define future information technology requirements that are needed to support the department's business functions. This project is the first step in what the department envisions to be a multi-year effort that will culminate in the design and procurement of systems and equipment to support a new license and registration data processing system. The Business Process Reengineering effort would implement a recommendation contained in a recent report by a consultant who reviewed the Department's present and future information technology requirements and strategies.

Family Support Enforcement. The Governor's Budget provides \$1.4 million for the department to implement Chapter 481, Statutes of 1995 (AB 257). This statute expands the current family support laws by redefining "licensee" to include any person holding a driver's license.

Currently, the department withholds occupational and commercial drivers' licenses when original and renewing applicants are matched against a list of delinquent family support obligors provided by the Department of Social Services. Under the new law, the department will be required to take action against all classifications of drivers' licensees when it receives notice that a licensee is not in compliance with family support obligations.

STATE BANKING DEPARTMENT

The State Banking Department regulates 235 state chartered commercial banks holding assets of \$119.7 billion, 33 trust departments of banks and 22 state chartered trust companies with a combined \$456.4 billion in fiduciary assets. The department also supervises 90 offices of foreign banking corporations with assets of \$71.2 billion, as well as licensees who transmit money abroad and issue travelers checks and money orders.

The banking industry has changed and is expected to change more dramatically during the remainder of the decade. In 1994, the Riegle-Neal Banking and Branching Efficiency Act became law, effectively deregulating interstate banking. As a result of this and other changes in the industry, the number of state-chartered banks has decreased from 271 in 1991 to 235 in 1995. This reduction in the number of state-chartered banks has resulted in a decrease in projected revenues.

The Governor's Budget for 1996-97 proposes a total expenditure of \$16 million, which includes a reduction of \$914 thousand and 42 positions from current levels to accommodate the decrease in revenues. Additionally, the department is revising its examination procedures to meet the changes in

funding and industry workload more efficiently.

DEPARTMENT OF REAL ESTATE

The mission of the Department of Real Estate is to protect the public in real estate transactions. The Department of Real Estate is funded by real estate license and subdivision application fees. Given the economic downturn in the real estate market beginning in 1990 and the resulting decline in fee revenue and workload, the budget has been reduced in several ways, including:

- ✦ Closure of the Santa Ana District Office, which will result in a savings of \$241 thousand and 3 positions.
- ✦ A reduction of 35 positions, to better match expenditures to revenues.
- ✦ A reduction of \$300 thousand by eliminating funding for various real estate research and education projects.

DEPARTMENT OF CORPORATIONS

The Department of Corporations is responsible for administering the State's laws governing the offer and sale of securities and franchises, the registration and licensing of securities professionals, and the licensing and examination of various types of financial institutions, including credit unions and thrift and loan companies. The Department also regulates the health care service plan managed care industry.

The 1996-97 Governor's Budget proposes an expenditure level of \$34.1 million. Included in this amount is a proposed augmentation of 19 permanent positions and \$2 million related to implementing a toll-free telephone line to receive


complaints from health care service plan enrollees and to develop a system for processing enrollees' complaints, as well as implementing other requirements of Chapters 787 and 789, Statutes of 1995.

STEPHEN P. TEALE DATA CENTER

The Stephen P. Teale Data Center is responsible for assisting State agencies in achieving their program objectives through the application of the appropriate information technology solutions.

Since 1991, the Stephen P. Teale Data Center (TDC), through strong management efforts and cost-containment practices has been able to implement rate reductions to all its customers, saving them over \$50 million. During this same timeframe TDC has also eliminated 61 positions, and reduced its operating budget of \$80.6 million in 1991-92 to a 1996-97 budget level of \$78.4 million and 363 personnel years. While its budget and cost were decreasing, the workload processed by TDC has increased during the same period of time by 500 percent.

The Governor's Budget for 1996-97 proposes the following augmentations to accommodate increased client demand:

- ✦ An augmentation of \$585 thousand to increase existing central processing unit capacity.
- ✦ An augmentation of \$552 thousand to increase and upgrade existing front end processor capacity.
- ✦ An augmentation of \$191 thousand to increase and upgrade existing UNIX technology capacity. 

General Government

FRANCHISE TAX BOARD

The Franchise Tax Board (FTB) is responsible for administering the state Personnel Income Tax, the Bank and Corporation Tax, and various other revenue collection programs. These programs contribute a significant portion of the state's General Fund revenue.

The Governor's Budget for 1996-97 proposes expenditures of \$339.6 million and 4,965 personnel years for the Board.

Major budget adjustments for 1996-97 include:

- ✦ A net reduction of \$6.3 million resulting from changes in the project implementation schedule and key data entry personnel needs for the Bank and Corporation (B&C) System Redesign Project. The B&C System Redesign project has three components: The Business Entities Tax System (BETS), Collection Account Process System (CAPS), and Pass-Through-Entity Automated Screening and Support System (PASS). The initial phase of BETS is scheduled for operation

in January 1996. CAPS is fully operational and producing benefits in excess of the projected benefits. PASS is still in the design phase.

- ✦ An increase of \$5 million and 39 positions to implement the requirements of Chapter 1049, Statutes 1994 (AB 3086), which changed employer reporting of the Personal Income Tax withholding information (including W-2 information) submitted to the Employment Development Department and transmitted to the Franchise Tax Board. The changes to the FTB systems will allow much more effective use of withholding information in tax processing and audits. These improvements are expected to generate \$25 million annually in new revenue by 1998-99. Revenues are expected to increase \$11.6 million in 1996-97.

- ✦ To improve the ability of taxpayers to receive service and information from the FTB by phone, the budget includes an augmentation of \$1.2 million and 16 positions to increase the capacity of the automated Interactive Voice Response system, and to

increase the Taxpayer Service Center operator access rate from 61.5 percent to 70 percent.

- ✦ A reduction of \$900 thousand and 31 positions as a result of new automation at the Department of Motor Vehicles (DMV) which allowed FTB to use its automated collection systems on most accounts. Implementation of Local Area Network technology at FTB for the DMV Collection Program also contributed to these savings.

DEPARTMENT OF VETERANS AFFAIRS

The Department of Veterans Affairs is responsible for providing services to veterans and dependents including administration of the Cal-Vet home loan program, assisting veterans in obtaining benefits entitled to them under state and federal law, and supporting the Veterans Homes in Yountville and Barstow. The veterans homes are retirement communities that provide complete medical and nursing care for eligible veterans. The 1996-97 budget includes \$379.8 million and 1,384 personnel years for the Department.

Construction on the Barstow Home was completed at the end of 1995. Veterans will begin residency in February 1996 with an estimated occupancy of 172 residents by the end of 1995-96; in 1996-97 the Barstow facility will be home to 400 veterans. Nursing and medical staff will be available on site and the Home will provide veterans with a full complement of medical services. The 1996-97 budget proposes expenditures of \$17.1 million and 216 personnel years for full staffing and operation of the Barstow Veterans Home.

In addition, Chapter 943, Statutes of 1995 authorizes the Department of Veterans Affairs to begin preliminary work on two additional Southern California veterans homes. Commencing in 1995-96, the Department will use a \$1.7 million General Fund loan authorized by the legislation to complete site studies, suitability reports, environmental studies, master planning, and architectural drawings for the two homes.

DEPARTMENT OF CONSUMER AFFAIRS AND CEMETERY BOARD

The Department of Consumer Affairs was established to protect consumer interests through licensing and regulation of specific professions, occupations and businesses. The Department is directed by statute to facilitate a free-enterprise market economy by educating consumers, fostering competition, guarding against fraudulent practices and promoting consumer representation throughout all levels of government. The 1996-97 Governor's Budget proposes total expenditures of \$310.4 million and 2,678 personnel years to support the operations of the Department's various programs, boards and commissions.

In 1995-96, Chapter 381, Statutes of 1995 transferred the duties of the Cemetery Board to the Department effective January 1, 1996. In October 1995, the Board authorized the Department to perform the Board's functions since it had insufficient resources to address the increasing numbers of criminal and administrative cases emerging within the cemetery industry. Since undertaking Cemetery Board responsibility for regulating 193 cemeteries in the State, the Department has identified significant problems concerning several of these cemeteries. Therefore, the Department proposes to conduct an on-site inspection and to audit the endowment care fund of each of these cemeteries over the next 18 months. In addition, the Department's enforcement strategy will be substantially more aggressive than that of the Board. The Department will issue citations, impose fines, and will investigate and criminally prosecute cases of fraud and abuse related to the mishandling of human remains, and cases of embezzlement of endowment care trust funds.

The costs to conduct the audits, inspections, increased enforcement, and to continue ongoing licensing and regulatory functions are \$2.8 million in 1995-96 and \$4.2 million in 1996-97. In the current year, Chapter 381, Statutes of 1995 appropriated \$209 thousand from the Cemetery Fund to the Department; however, revenue estimates indicate only \$200 thousand will be available in the Fund. For 1996-97, estimated Cemetery Fund revenues of \$399 thousand are proposed to be appropriated to the Department. Nonetheless, the Cemetery Fund has insufficient reserves to fund the expanded activities. Therefore, the Administration proposes authorizing a \$705 thousand Tax Preparers' Fund loan and a \$1.9 million General Fund loan to the Cemetery Fund in the current

year, and a \$3.8 million General Fund loan in 1996-97. Cremation and interment fees paid by the cemetery industry are proposed to be increased to fund ongoing efforts and to repay the loans, with interest, over a three-year period beginning in 1997-98.

DEPARTMENT OF INDUSTRIAL RELATIONS

The Department of Industrial Relations (DIR) seeks to protect the workforce, improve working conditions, and advance opportunities for profitable employment.

For 1996-97, the Governor's Budget proposes 2,670 personnel years and \$217.9 million for DIR. The following major budget adjustments are proposed for 1996-97:

Prevailing Wage Reform. The Governor's budget includes \$1.3 million General Fund and 19 personnel years to implement a new methodology, consistent with the federal Davis-Bacon methodology, for determination of the prevailing wage rate. It is anticipated that this new methodology will result in substantial savings related to public works construction projects.

Overtime Pay Standards Reform. An increase of \$274 thousand General Fund and 3 personnel years to examine, evaluate and reform 14 wage orders related to the payment of overtime after 40 hours. The federal Fair Labor Standards Act (FLSA) requires the payment of overtime only after 40 hours have been worked in one week. California is one of only four states which requires employers to pay an overtime premium after employees work eight hours in a day. California's more stringent overtime requirements weaken the state's competitiveness with other states

and deter employers from offering employees flexible working schedules.

Joint Enforcement Strike Force (JESF). The Governor's Budget proposes \$1.2 million from reimbursements in 1996-97 to continue funding the activities of the JESF, which include identifying employers who undercut legitimate businesses by operating in the underground economy, thus avoiding the lawful payment of wages, taxes, workers' compensation insurance, and licensing fees. This proposal would also fund a \$150 thousand contract between DIR and the Franchise Tax Board to collect delinquent penalties, fees and wages.

Targeted Industries Partnership Program (TIPP). Increase of \$671 thousand in reimbursements in 1995-96 and \$1.7 million in reimbursements in 1996-97 to expand TIPP. Established in 1992, TIPP is a coordinated partnership of state and federal efforts charged with enforcing employment laws in industries with histories of consistent labor law violations, namely the garment and agricultural industries. Currently DIR, in collaboration with the Employment Development Department investigates and assesses penalties against those companies found in violation of labor laws. This augmentation will help to promote fair business competition in the aforementioned industries by increasing efforts to investigate employment and wage violations and enforce labor laws.

DEPARTMENT OF FOOD AND AGRICULTURE

The Department of Food and Agriculture (DFA) is responsible for protecting and promoting California's agriculture, providing leadership in the development of agricultural policy and enforcing weights and measures standards in

commerce. The Department's activities include prevention and eradication of harmful plant and animal pests and disease; marketing and export assistance to the agriculture industry; development and enforcement of weights and measures standards; and assistance to county agricultural commissioners and local fairs. The 1996-97 Governor's Budget proposes a total expenditure of \$193.7 million and 1,908 personnel years.

Exotic Pest Prevention. In anticipation of the successful completion of a two-year plan to eradicate the Mediterranean Fruit Fly (Medfly), the 1996-97 budget includes \$11.1 million General Fund and \$2.0 million Federal Trust Fund and 315.4 personnel years to implement an ongoing program of exotic pest prevention developed by the Governor's Exotic Pest Eradication Task Force. There are four components to this program: (1) *Sterile Medfly Release*: implement a continuing program of preventive release of sterile Medflies throughout the Los Angeles Basin (\$7.7 million General Fund, 172.1 personnel years); (2) *Border Stations*: relocate, upgrade and restore California's border agricultural inspection stations to full-time staffing and operation (\$1.9 million General Fund, 34.4 personnel years); (3) *Parcel Inspection*: inspect high risk parcels for exotic plant pests and diseases that enter California through domestic parcel operations (\$1.5 million General Fund, 16.8 personnel years); and (4) *Airport and Maritime Inspections*: conduct inspections at California's international ports of entry on a reimbursable basis from the United States Department of Agriculture (\$2.0 million Federal Fund, 92.1 personnel years).

Food Inspection. The budget also proposes \$430,000 and three positions to strengthen the State

Meat and Poultry Inspection Program to ensure food safety to the State's consumers and to address the increasing numbers of illegal slaughters. Changing national standards, rising public expectations, and increasing workload make the current state inspection programs vulnerable to failure and thereby increase the risks to public health.

OFFICE OF EMERGENCY SERVICES

Disaster Administration. In time of a major emergency or disaster in the State, it is the primary mission of the Office of Emergency Services (OES) to coordinate emergency activities to save lives and reduce property losses and to expedite the recovery from the effects of the disaster. The 1996-97 Governor's Budget proposes \$75.3 million (\$28.8 million General Fund, \$38.7 million federal funds; \$7.8 million other funds) to fund 823.9 personnel years for the operations of OES. An additional \$13.9 million General Fund is proposed for 1996-97, primarily because the federal government has reduced funding for OES operations.

Local Assistance. The Governor's Budget includes \$817.8 million proposed for 1996-97 (\$67.3 General Fund, \$729.1 million federal funds, \$19.6 million quarter cent sales tax funds, \$1.8 million Nuclear Planning Assessment Special Account) for payment of disaster response and recovery costs incurred by local governments and planning for safety at nuclear power plants. Of the amount, \$67.3 million General Fund, \$35 million is for the State's share of local public agencies' costs for various past disasters and \$31.3 million is for the Northridge Earthquake. In addition, \$1.0 million General Fund is included in 1996-97 for the Loma Prieta Earthquake, since the remainder of the quarter

cent sales tax funding is expected to have been utilized.

NORTHRIDGE EARTHQUAKE FINANCING

The Northridge earthquake struck southern California on January 17, 1994. In June 1994, the Administration proposed that the non-federal share of the earthquake recovery costs be funded from federal loans, and such loans were authorized by Chapter 151, Statutes of 1994. The Federal Emergency Management Agency (FEMA) has approved loans totaling \$175 million and an additional \$100 million loan from the City of Los Angeles, using funds from the federal Department of Housing and Urban Development (HUD), has also been approved. These loans will be used to fund the non-federal share of recovery costs resulting from the Northridge Earthquake through the 1995-96 fiscal year. Beginning in 1996-97, funding for these costs is proposed from the General Fund as local assistance.

As required under the terms of the loan agreements, in July 1995 the State made a payment in the amount of \$15.3 million. The Governor's Budget proposes an estimated repayment of \$46 million in the 1996-97 fiscal year based on the anticipated recovery efforts from the Northridge Earthquake through the 1995-96 fiscal year.

DEPARTMENT OF INFORMATION TECHNOLOGY

The Governor's Council on Information Technology, created by Executive Order of the Governor, issued several recommendations to make California state government more cost effective and responsive to the consumers of state services. To help achieve this objective, Chapter 508, Statutes of 1995 created a new

Department of Information Technology effective January 1, 1996. The Department is responsible for providing leadership, guidance, and oversight of information technology in state government for the purpose of improving productivity, reducing costs, and enhancing customer service. For the period of July 1995 through December 1995, funding for the Department is provided in the State and Consumer Services Agency budget. However, effective January 1996, the Department will operate as an independent agency with a budget of \$1.3 million for the remainder of the 1995-96 year. The 1996-97 budget includes \$2.5 million and 14 personnel years for the Department.

PUBLIC UTILITIES COMMISSION

The Public Utilities Commission is responsible for the regulation of the utilities and transportation industries to ensure the delivery of stable, safe, and economic services. The Commission meets this responsibility through the enforcement of safety regulations and controlling industry rates for services.

In response to changing technology, competitive pressures, federal legislative and regulatory directives, and emerging market forces, the Commission is actively pursuing the restructure and deregulation of the telecommunications and electric industries. The Commission is committed to opening up the telecommunications markets to competition over the next few years, beginning as early as 1996. For the telecommunications industry, the primary goal is to expand consumer access to high-quality, innovative, low-cost telecommunications networks and services. For the electric industry, the goal is to provide end users with more affordable electricity services.

Effective January 1, 1995, and in response to federal law change (Public Law 103-305) related to the trucking industry, the Commission no longer regulates the prices, routes, or service of freight carriers, other than household goods carriers. The Commission continues its jurisdiction over matters specifically related to licensing, insurance, safety, and consumer protection over the trucking industry.

In order to gain efficiencies and effectiveness through elimination of duplicative functions between agencies, the Administration and the Legislature are considering various reorganization proposals. At the same time, the Commission is conducting an internal reform to better regulate monopoly services and ensure fair competition for competitive services in the year 2000.

MILITARY DEPARTMENT

The Military Department is responsible for the California Army and Air National Guard and five other programs. The purpose of the California National Guard is to provide military service supporting this state and the nation. The 1996-97 Governor's Budget proposes a total expenditure of \$51 million from various funds and 568 personnel years.

Currently 53 guard personnel are in temporary state active duty status for the purpose of increasing the effectiveness of the U.S. Border Patrol in performing illegal immigration and counter-drug missions. The Governor's Budget includes \$599,000 General Fund in 1995-96 to offset previously anticipated federal funds which are not forthcoming for 33 of the 53 positions performing these activities. The remaining 20 positions will be converted to federal status to

perform counter-drug activities and will be funded with federal funds. For the 1996-97 fiscal year, the Administration proposes \$1.4 million General Fund to maintain support for the illegal immigration enforcement effort.

CALIFORNIA STATE LIBRARY

California Sesquicentennial. The budget proposes ten positions and \$1.4 million from the General Fund to continue work begun by the Department of Parks and Recreation to facilitate a sesquicentennial celebration. The celebration is scheduled to begin January 24, 1998, which is 150 years after the discovery of gold in California, and last through September 9, 2000, the sesquicentennial of our statehood. Ultimately, this effort is expected to attract more than \$30 million in private donations which will flow through a private foundation to support more than 60 local regional and statewide events commemorating the sesquicentennial.

CAPITAL OUTLAY

Proposed 1996-97 expenditures for the Capital Outlay program (excluding highways and K-12 schools) are approximately \$808 million. The funding for this program is derived from a number of sources including: General Obligation (GO) bonds (80 percent), special funds (6.3 percent), General Fund (9.5 percent) and the remainder from other funds (4.2 percent).

A major source of funding for this program will come from four general obligation bond proposals recommended by the Administration for the 1996 ballot (see the *INFRASTRUCTURE* section of the Budget Summary).

Highlights of the 1996-97 Capital Outlay program are as follows:

• \$412.6 million in proposed GO bond expenditures for higher education.

• The Governor's Budget reflects second-year funding for the four-year compact with higher education. Included is \$142.3 million for the University of California (UC) and \$150 million for the California State University (CSU).

• This amount permits UC to address 36 projects at 9 campuses with priority on seismic, life/safety, and vital infrastructure projects. Examples of UC projects include funding the equipment phase of previously approved construction projects, seismic upgrades, space deficiencies, renovation of major buildings, a wastewater treatment plant, and a water system.

• CSU's funds will address 31 projects at 18 campuses with priority on seismic, life/safety, and vital infrastructure projects. Examples of CSU projects include seismic upgrades, telecommunications infrastructure, central plant upgrades, building renovations, space deficiencies, and future growth projects.

• This year's budget continues to provide UC and CSU with the flexibility to use identified savings from approved capital outlay projects for other high-priority items such as working drawings on approved projects and funding minor capital outlay projects.

• The \$119.6 million for California Community Colleges (CCC) allows this segment to address 73 projects at 46 campuses. Examples of projects include health/safety and code compliance, building renovations, equipment projects, sewer/drainage systems, and electrical systems. This year's CCC program emphasizes funding for project planning and will allow a higher

level of funding next year. It is anticipated that next year's CCC program for the construction phases of these projects will be approximately \$180 million.

• In addition, the budget provides \$709 thousand for the Hastings College of the Law to renovate a classroom building.

• \$84.8 million in proposed GO bond expenditures, General Fund, and federal funds for the California Department of Corrections (CDC).

• \$50.6 million is proposed from a GO bond measure for major and minor projects at existing prisons, including: improvement of health care facilities at various prisons, wastewater treatment, and replacement of cell door locking devices. In addition, the budget recommends \$7.2 million from the General Fund for emergency beds (a temporary housing strategy until new prisons are constructed) and \$27 million in federal funds for planning and design activities related to new state prisons.

• \$31.2 million in proposed GO bond expenditures and General Fund in the Department of the Youth Authority.

• The budget recommends \$27.7 million in proposed GO bond expenditures to add 1,450 new beds at existing facilities statewide to alleviate overcrowding, as well as major capital outlay projects to renovate and expand youth detention facilities. The budget also provides \$3.5 million from the General Fund for critical minor capital outlay projects to upgrade youth detention facilities.

\$4.2 million General Fund in the Office of Emergency Services (OES).

OES will acquire a site and begin preliminary plans for its Sacramento Headquarters and State Operations Center. The existing facility is inadequate in size, has been cited for various building code deficiencies, and lacks electrical capacity to operate during a full-scale emergency.

\$16.7 million General Fund in the Department of Forestry and Fire Protection (CDF).

CDF plans to repair and replace critical public safety facilities and related infrastructure. Projects include: forest fire station relocations; repair and replacement of air attack and helitack bases; replacement of emergency command centers; construction of new classrooms for fire-fighting instruction at the CDF Academy; removal of underground storage tanks; repair and replacement of barracks, mess halls and a dormitory; replacement of an administrative facility; and repair of wastewater systems, restrooms and showers.

\$3 million General Fund in the Department of Health Services (DHS).

DHS will begin preliminary plans for Phase II construction of the Richmond Laboratory project. This facility replaces an existing DHS laboratory in Berkeley which tests for diseases and toxic substances and which has significant seismic and fire/life/safety deficiencies.

\$8.5 million General Fund in the Military Department.

This amount allows the Military Department to fund the State's share of site acquisition and working drawings for a new armory in Los Angeles as well as complete security-related minor capital outlay projects. The new armory will consolidate three existing armories in the Los Angeles area for which leases expire in the next two to four years.

\$7.4 million General Fund and reimbursements in the Department of Water Resources.

Of this amount, \$6.4 million from the General Fund is for ongoing local flood control projects (West Sacramento Levee Project, Mid-Valley Levee Reconstruction Project, and Sacramento River Bank Protection Project) and \$1.0 million from reimbursements continues implementation of the San Joaquin Valley Drainage Relief program.

\$3.2 million General Fund and special funds in the Tahoe Conservancy.

The Conservancy will undertake acquisition, construction and restoration projects with funding from various fund sources (\$2.5 million from the General Fund) to enhance public access, wildlife habitat protection, soil erosion control, stream environment zone and watershed restoration, and lake water quality.

\$4.7 million special funds in the State Coastal Conservancy.

The Conservancy proposes special-funded projects for public accessways and restoration and enhancement of wetlands, estuaries, streams, watersheds, riparian corridors and endangered species' habitats.

\$18.3 million General Fund and special funds in the Department of Parks and Recreation.

Within this amount, \$2.5 million from the General Fund is for two public safety projects within parks: a Southern California multi-district emergency dispatch center and a storm damage response program. The budget provides \$1.8 million to replace the failing sewer system at Pfeiffer Big Sur State Park. The budget also provides \$2.5 million for acquisition of habitat areas (\$1 million of that designated for the Santa Lucia Mountains) and \$8.2 million from the Off-Highway Vehicle Fund to establish a state vehicular recreation area in San Diego and expand an existing park in Hollister.

\$595 thousand General Fund in the Department of Food and Agriculture (DFA).

DFA will undertake preliminary plans and working drawings to relocate the Truckee Agriculture Border Inspection Station and complete minor capital outlay projects. In addition, the budget includes \$441,000 in special funds to renovate the Sacramento headquarters elevators.

\$18 million General Fund in the Department of Mental Health (DMH).

DMH will complete fire/life/safety improvements to Building 70 at Patton State Hospital, installation of a perimeter fence at Metropolitan State Hospital, and various critical minor capital outlay projects.

\$620 thousand General Fund in the Department of Veterans Affairs (DVA).

These funds support program management for DVA's existing

major capital outlay projects and for three minor capital outlay projects to correct fire/life/safety and code-related deficiencies in the Veterans' Home at Yountville.

\$9.5 million special fund in the Department of Motor Vehicles (DMV).

DMV will use special funds to undertake renovation projects at its Sacramento headquarters and minor capital outlay projects for its field offices.

\$10 million special fund in the California Highway Patrol (CHP).

CHP will undertake statewide projects from special funds to comply with the Americans with Disabilities Act as well as renovate field office facilities.

\$154.6 million in existing GO bond funds in the Department of General Services (DGS).

DGS will complete the working drawings and/or begin the construction phase for the seismic retrofit of 14 state facilities. This amount largely expends remaining funds from the Earthquake Safety and Public Buildings Rehabilitation Fund of 1990.

Capital outlay funding sources for 1996-97 are shown by agency in Figure GG-A.

In addition to capital outlay expenditures proposed in the Governor's Budget, the Governor also is recommending significant infrastructure expenditures which would be appropriated through separate legislation. They are:

\$1.8 billion in proposed GO bond expenditures for a new prison construction program for CDC.

CDC will plan and construct six new prisons and plan nine additional prisons. The six prisons provide design bed capacity of approximately 17,000 beds by the year 2000-01 and will be sited as follows: Delano, Kern County (Delano II); California City, Kern County; San Diego County (San Diego II); Sacramento area, (Northern California Reception Center); Taft, Kern County; and Solano County (Solano II).

\$320 million in proposed GO bond expenditures in the State Water Resources Control Board.

Funds will be used to build new facilities and update existing local wastewater treatment plants and water reclamation facilities. The State's contribution will leverage additional federal funds (\$1 state to \$5 federal) to: provide low interest loans to local communities for construction of wastewater treatment and water pollution control projects; provide grants to small communities for the construction of

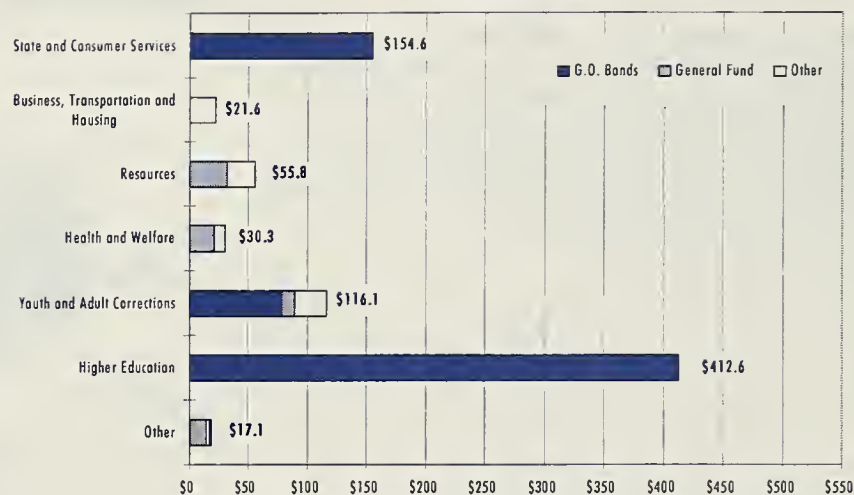
wastewater treatment facilities; and provide loans to communities for construction of cost-effective water reclamation projects.

\$220 million in proposed GO bond expenditures in the Department of Water Resources for the Bay-Delta Accord.

The Governor has committed to providing safe and reliable water supplies at a reasonable cost while restoring and protecting riparian environments. There is a compelling need for application of this policy in the San Francisco Bay/Sacramento-San Joaquin Delta. The Administration proposes \$220 million in General Obligation bonds to finance various infrastructure programs to meet its commitment in the Bay-Delta, as articulated in the Governor's Water Policy Framework, Bay-Delta Accord, and the Central Valley Project Improvement Act. Projects would include fish and wildlife habitat enhancement and restoration, delta levee rehabilitation, improvement of intake structures and water management infrastructure of the South Delta facilities, and feasibility investigations of off-stream storage and

FIGURE GG-A

**Capital Outlay Program Funding Sources
(Dollars in Millions)**



conjunctive use facilities. (See *Infrastructure* in the Budget Summary for more detail on this program.)

BONDS

Bond financing is a form of long-term borrowing under which the State raises money by issuing financial securities to investors, such as voter-approved General Obligation bonds or legislatively-approved lease-revenue bonds. Bonds are used to finance a wide variety of projects benefiting the public, including schools, prisons, highways, rail transit, parks and water treatment facilities. (For specific information on bond expenditures see the various expenditure areas.)

General Obligation Bonds. California currently owes \$14.3 billion in principal on authorized General Obligation bonds as of the end of calendar year 1995. Figure GG-B reflects outstanding bonds by agency. The cost to the State's General Fund for the payment of interest and redemption on these bonds was \$1.852 billion in 1994-95, and is estimated to be \$1.951 billion in 1995-96 and \$1.959 billion in 1996-97 (see Figure GG-C).

Lease Revenue Bonds. In recent years, the State used lease-revenue bonds to supplement the General Obligation bond program. The lease-purchase method of financing projects has been used primarily for higher education facilities, state prison construction and general-purpose office buildings.

Outstanding lease-revenue bonds totaled \$5.5 billion for 1994-95 (see Figure GG-D), and are estimated to total \$5.5 billion for 1995-96 and \$6.5 billion for 1996-97. The cost to the State's General Fund for lease payments (principal and interest) was \$325 million in 1994-95, and is estimated to be \$414 million for 1995-96 and \$487 million for 1996-97.

Bonded indebtedness can be measured in several ways. The most common measure is the percent of General Fund revenue committed to paying debt service. For 1994-95, California's debt was 5.3 percent (General Obligation and lease-revenue). This ranks California as 15th among the states (source: *Moody's Selected Indicators of Municipal Performance*).

FIGURE GG-B

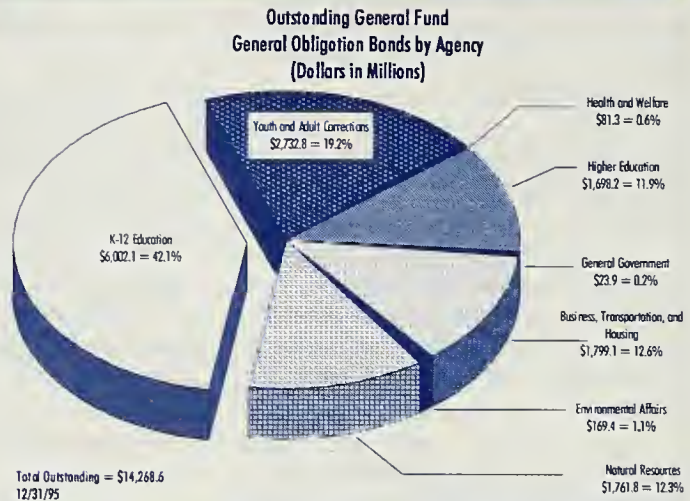


FIGURE GG-C

General Fund General Obligation Debt Service Expenditures
1994-95 through 1996-97
(Dollars in Millions)

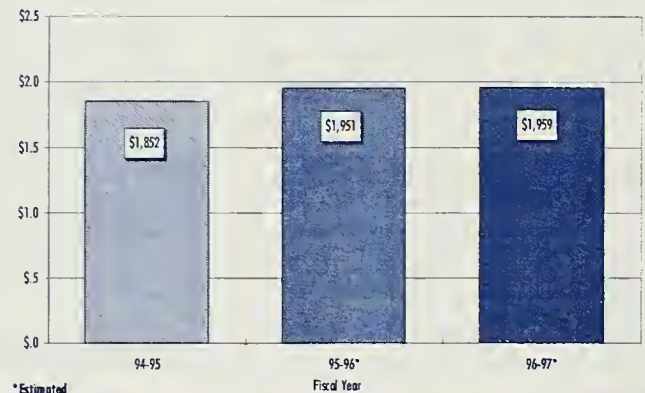
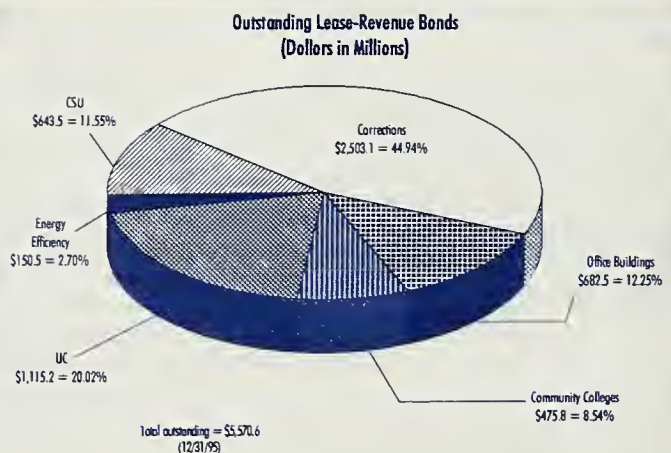


FIGURE GG-D



Appendix & Schedules

Appendix/Schedules

BUDGETARY PROCESS

Glossary of Budget Terms

DESCRIPTION OF FUND CLASSIFICATIONS IN THE STATE TREASURY

Schedules

Schedule 1 GENERAL BUDGET SUMMARY

Schedule 2 TOTAL STATE SPENDING PLAN

Schedule 3 A TOTAL STATE SPENDING PLAN by GENERALLY ACCEPTED ACCOUNTING
PRINCIPLES (GAAP) FUND CLASSIFICATIONS

Schedule 3B COMPARISON of CALIFORNIA'S CURRENT FUND STRUCTURE TO RECOMMENDED
GAAP FUND CLASSIFICATIONS

Schedule 4 PERSONNEL YEARS AND SALARY COST ESTIMATES

Schedule 5 POSITIONS AND SALARY COST ESTIMATES

Schedule 6 SUMMARY of STATE POPULATION, EMPLOYEES AND EXPENDITURES

Schedule 7 GENERAL FUND STATEMENT of FINANCIAL CONDITION

Schedule 8 COMPARATIVE STATEMENT of REVENUES

Schedule 9 COMPARATIVE STATEMENT of EXPENDITURES

Schedule 10 SUMMARY of FUND CONDITION STATEMENTS

Schedule 11 STATEMENT of BONDED DEBT

Schedule 12A STATE APPROPRIATIONS LIMIT SUMMARY

Schedule 12B STATEMENT of REVENUES TO FUNDS EXCLUDED FROM THE STATE
APPROPRIATIONS LIMIT

Schedule 12C NON-TAX REVENUES IN FUNDS SUBJECT TO THE STATE APPROPRIATIONS LIMIT

Schedule 12D TRANSFERS FROM EXCLUDED FUNDS TO INCLUDED FUNDS

Schedule 12E EXPENDITURES EXCLUDED FROM THE STATE APPROPRIATIONS LIMIT
by AGENCY

Budgetary Process

The Governor's Budget is the result of a process which begins more than one year before the budget becomes law. When presented to the Legislature on January 10 of each year, the Governor's Budget incorporates revenue and expenditure estimates based upon the most current information available through late December. In the event that the Governor wants to change the budget presented to the Legislature, including adjustments resulting from changes in population, caseload or enrollment estimates, the Department of Finance proposes adjustments to the Legislature during budget hearings through Finance Letters. During late spring, usually May and June, the Department of Finance submits revised expenditure and revenue estimates for both the current and budget years to the Legislature. This update process is referred to as the May Revision. The Department of Finance also prepares updates on revenues and expenditures at interim points of the fiscal year. Listed below are the key documents used in the budget process.

| <u>Title</u> | <u>Purpose</u> | <u>Prepared/Issued By</u> | <u>When</u> |
|--|---|---|------------------------|
| Budget Letters and Management Memos | Convey Administration guidelines for budget preparation to agencies and departments. | Governor/ Department of Finance | April through December |
| Budget Change Proposals | Document which proposes to maintain or change the existing level of service. | Agencies and departments submit to Department of Finance for analysis | July through September |
| Governor's Budget | Governor proposed budget for the upcoming fiscal year. | Governor/Department of Finance | January 10 |
| Governor's Budget Summary | A summary of the Governor's Budget. | Governor/Department of Finance | January 10 |
| Budget Bill | Request spending authorization to carry out Governor's expenditure plan (Legislative budget decision document.) | Department of Finance/ Legislature | January 10 |
| Budget Analysis | Analysis of the budget, including recommendations for changes to the Governor's Budget. | Legislative Analyst | February |
| May Revision of General Fund Revenues and Expenditures | Update of General Fund revenues, expenditures and reserve estimates based on the latest economic forecast. | Department of Finance | Mid-May |
| Budget Act | The primary annual expenditure authorization as approved by the Governor and Legislature, including a listing of Governor's vetoes. | Legislature/ Governor | Late June |
| Final Budget Summary | Update of the individual Budget Act items with changes by the Governor's vetoes, including budget summary schedules. | Department of Finance | Late July |
| Final Change Book | Update of changes to the detailed fiscal information in Governor's Budget. | Department of Finance | Late July |

Glossary of Budget Terms

The following budgetary terms are used frequently throughout the Governor's Budget, the Governor's Budget Summary and the annual Budget (Appropriations) Bill. Definitions are provided for terminology which is common to all publications. For definitions of terms unique to a specific program area, please refer to the individual budget presentation of interest.

ADMINISTRATION PROGRAM:

An accounting for departmental central management cost such as the Director's Office, Legal Office, Personnel Office, Accounting and Business Services functions that generally serve the whole department.

"Administration-distributed" are costs more properly distributed to the program activities of a department as indirect costs.

ALLOCATION:

A distribution of funds, or an expenditure limit established for an organization unit.

ALLOTMENT:

A part of an appropriation to be expended for a particular purpose during a specified time period. An allotment is generally authorized on a line-item expenditure basis.

APPROPRIATION:

An authorization from a specific fund to a specific agency to make expenditures/incur obligations for a specified purpose and period of time. The Budget Act contains many appropriations, or items. These appropriation items are limited to one year, unless otherwise specified. Appropriations are made by the Legislature in the annual Budget Act and in other legislation. Continuous appropriations (see definition below) can be provided for by legislation or the California Constitution.

APPROPRIATIONS LIMIT:

As defined in Section 8 of Article XIII B of the California Constitution, enacted by the passage of Proposition 4 at the November 6, 1979 general election, the growth in the level of certain appropriations from tax proceeds are generally limited to the level of the prior year's appropriation limit as adjusted for changes in cost of living and population. Other adjustments may be made for such reasons as the transfer of services from one government entity to another.

AUGMENTATION:

An increase to an appropriation as provided by various control sections, Budget Bill language, or legislation.

AUTHORIZED POSITIONS:

Those ongoing positions approved in the final budget of the preceding year less positions abolished because of continued, extended vacancy. The detail of authorized positions by classification is published in the Salaries and Wages Supplement for each agency. Changes in authorized positions are listed following each department's budget presentation in the Governor's Budget. (See Proposed New Positions.)

BALANCE AVAILABLE:

Amount available for appropriation or expenditure/encumbrance. It is the excess of cash and near-cash assets of a fund over its liabilities and reserves; or commonly called surplus available for appropriation. It is also the unobligated balance of an appropriation which may be spent for the purposes of the specific appropriation.

BASELINE BUDGET:

A baseline budget reflects the anticipated costs of carrying out the current level of service or activities as authorized by the Legislature. It includes an adjustment

for cost increases, but does not include changes in level of service over that authorized by the Legislature.

BUDGET, PROGRAM/TRADITIONAL:

A plan of operation for a specific period of time expressed in financial terms. A *program budget* expresses the operating plan in terms of the costs of activities to be undertaken to achieve specific goals and objectives. A *traditional budget* expresses the plan in terms of the costs of the goods or services to be used to perform specific functions.

The Governor's Budget is primarily a program budget. However, a summary of proposed expenditures for goods and services (Summary by Object) is included for State Operations, Local Assistance and Capital Outlay for each department, where applicable.

BUDGET BILL/ACT:

The Budget Bill is prepared by the Department of Finance and submitted to the Legislature in January accompanying the Governor's Budget. The Budget Bill is the Governor's proposal for spending authorizations for the subsequent fiscal year for ongoing programs authorized by the Legislature. The Constitution requires the Legislature to pass the Budget Bill and forward it by June 15 to the Governor for signature. After signature by the Governor, the Budget Bill becomes the Budget Act.

BUDGET CHANGE PROPOSAL (BCP):

A proposal to change the level of service or funding sources for activities authorized by the Legislature, or to propose new program activities not currently authorized.

BUDGET YEAR (BY):

The next fiscal year beginning July 1 and ending June 30 for which the Governor's Budget is submitted. The year following the current fiscal year.

CAPITAL OUTLAY:

Expenditures which result in the acquisition of or addition to major fixed assets (e.g., land, buildings and equipment related to construction).

CARRYOVER APPROPRIATIONS:

The balance of appropriations available for expenditure in years subsequent to the year of enactment.

CATEGORY:

A grouping of related objects of expenditure (goods or services), such as Personal Services, Operating Expenses and Equipment, and Special Items of Expense.

CATEGORY TRANSFER:

A control section of the Budget Act authorizes the Department of Finance to augment or reduce any category, program, or project by transfer from any other category, program, or project within the same appropriation.

Augmentations of personal services and operating expenses and equipment categories generally cannot exceed, in the aggregate, 20 percent of the amount scheduled. Lower limits exist for support appropriations which exceed \$2,000,000. (See Category.)

CHANGES IN AUTHORIZED POSITIONS:

A schedule included in each budget presentation in the Governor's Budget which reflects personnel staffing changes made subsequent to the adoption of the current year budget (transfers, positions established and selected reclassifications). It also includes proposed new positions for the budget year.

CHARACTER OF EXPENDITURE:

A classification of expenditures. (See State Operations, Local Assistance or Capital Outlay.)

CODES, UNIFORM:

A set of codes, used in all major fiscal systems of California State government, which has been established to identify organizations, programs, funds, appropriation structures, receipts and line item objects of expenditure. The Uniform Codes Manual, published by the Department of Finance, lists all such uniform codes. (See Section 1.50 of the Budget Act for an explanation of the codes used for Budget Act appropriation items.)

CONTINUOUS APPROPRIATION:

Amount, actual or estimated, available each year under a permanent constitutional or statutory expenditure authorization which exists from year to year without further legislative action. The amount available may be a specific, recurring sum each year; all or a specified portion of the proceeds of specified revenues which have been dedicated permanently to a certain purpose; or whatever amount is required for the purpose as determined by formula—such as school apportionments.

CONTROL SECTIONS, BUDGET ACT:

The Budget Act is divided into sections. Section 1.00 establishes a citation for the legislation. Section 1.50 provides a description of the format of the act. Section 2.00 contains the itemized appropriations for support of the State of California. Sections 4.00 through 99.50 are general sections, also referred to as control sections, which generally provide additional authorizations or place additional restrictions on one or more of the itemized appropriations contained in Section 2.00.

**COST OF LIVING ADJUSTMENTS (COLAs).
STATUTORY/DISCRETIONARY:**

Increases provided in state-funded programs which include periodic adjustments predetermined in state law (statutory), e.g., K-12 education apportionments; and adjustments which may be established at optional levels (discretionary) by the Legislature each year, e.g., Urban Impact Aid.

CURRENT YEAR (CY):

The fiscal year beginning July 1 and ending June 30. The time period we are in now.

ENCUMBRANCE:

An obligation placed on an appropriation to pay for goods or services which have been ordered by means of contracts, salary commitments, etc., but not yet received.

EXPENDITURE:

Generally, this term designates the amount of an appropriation used for goods and services ordered and received whether paid or unpaid, including expenses, provisions for debt retirement not reported as a liability of the fund from which retired, and capital outlays where the accounts are kept on an accrual basis or a

modified accrual basis. Where the accounts are kept on a cash basis, the term designates only actual cash disbursements.

FEDERAL FUNDS:

In state budget usage, this term describes all funds received directly from an agency of the federal government but not those received through other state departments. Generally, state departments must initially deposit such federal funds in the Federal Trust Fund, a fund in the State Treasury.

FINAL BUDGET:

The final budget is the Governor's Budget as amended by action taken on the Budget Bill. A Final Change Book is published by the Department of Finance after enactment of the Budget Act to reflect the changes made by the Legislature in their review of the Budget Bill and by the Governor by power of line item veto. It includes a detailed list of changes by item number.

FINANCE LETTERS:

Proposals made by the Director of Finance to the chairpersons of the committees in each house of the Legislature which consider appropriations to amend the Budget Bill and Governor's Budget from that submitted January 10 to reflect a revised plan of expenditure for the Budget Year.

FISCAL YEAR (FY):

A 12-month state accounting period which varies from the calendar year and the federal fiscal year. In California State government, the fiscal year runs from July 1 through the following June 30. It is the period during which obligations are incurred, encumbrances are made and appropriations are expended. The Governor's Budget presents three years of detailed fiscal data for the past, current and budget years.

The state fiscal year is often referenced by the first calendar year of the fiscal year, e.g., "95" or "1995" means the 1995-96 fiscal year. By contrast, the federal 1995-96 fiscal year is often referenced as "96" or "1996," and lasts from October 1 through September 30.

FUND BALANCE:

Excess of the assets of a fund over its liabilities. (See "Balance Available, Special Fund for Economic Uncertainties and Surplus.")

FUND CONDITION STATEMENT:

A statement included in the Governor's Budget for the General Fund, special funds, special accounts in the General Fund, and specific bond funds and nongovernmental cost funds to disclose beginning reserves, revenues and transfers, expenditures and ending reserves.

FUNDS:

A legal entity that provides for the segregation of moneys or other resources in the State Treasury for specific activities or obligations in accordance with specific restrictions or limitations. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves and surplus (fund balance), as well as its income and expenditures. The assets of a fund may also be placed into separate accounts to provide for limitations on specified fund income or expenditures.

(See "Description of Fund Classifications in State Treasury," which follows in this volume.)

GENERAL FUND:

The General Fund is the predominant fund for financing State Operations. It is used to account for revenues which are not specifically designated to be accounted for by any other fund. The primary sources of revenue for the General Fund are the personal income tax, sales tax and bank and corporation taxes. A complete itemization of the revenue sources are listed in Summary Schedule 8. The General Fund is used as the major funding source for education (K-12 and higher education), health and welfare programs, youth and adult correctional programs and tax relief. Summary Schedule 9 provides a listing of expenditures for the General Fund.

ITEM:

(See "Appropriation.")

GOVERNMENTAL COST FUNDS:

(See "Special Funds.")

LIMITED-TERM POSITIONS:

A limited-term position is any position which has been authorized for a specific length of time with a set termination date. Limited-term positions may be autho-

rized during the budget enactment process or in transactions approved by the Department of Finance.

LINE ITEM:

("See Objects.")

LOCAL ASSISTANCE:

Expenditures made for the support of local government activities.

LOCAL MANDATES:

("See State-Mandated Local Program.")

MERIT SALARY ADJUSTMENT:

A cost factor resulting from the periodic increase in salaries paid to personnel occupying authorized positions. Personnel generally receive a salary adjustment of 5 percent per year to recognize proficiency in the work performed up to the upper salary limit of the work classification.

MINOR CAPITAL OUTLAY:

Minor Capital Outlay consists of construction projects or equipment acquired to complete a construction project estimated to cost less than \$250,000.

OBJECTS (LINE ITEMS):

A subclassification of expenditures based on type of goods or services. For example, the Personal Services category includes the objects of Salaries and Wages and Staff Benefits. These may be further subdivided into line items as State Employees' Retirement, Workers' Compensation, etc. Objects do not reflect a function or purpose to be served by the expenditure. A Summary by Object is provided for each department's budget in the Governor's Budget for State Operations, Local Assistance and Capital Outlay expenditures where applicable. The Department of Finance publishes a Uniform Codes Manual which reflects the standard line-item object of expenditure.

PAST YEAR (PY):

The fiscal year just completed. (See Fiscal Year.)

PERSONNEL YEARS:

The actual or estimated portion of a position expended for the performance of work. For example, a full-time position which was filled by an employee for half of a year would result in an expenditure of 0.5 personnel years.

POSITIONS:

(See "Authorized Positions.")

PROGRAMS:

The activities of an organization grouped on the basis of common objectives. Programs are comprised of elements, which can be further divided into components and tasks (the lowest defined program activity).

PROPOSED NEW POSITIONS:

A request for an authorization to expend funds for the employment of additional people for the performance of work. Proposed new positions may be for limited time periods (limited-term) and for full or less than full-time. Proposed new positions may be for an authorization sufficient to employ one person, or for a sum of funds (blanket) from which several people may be employed.

REAPPROPRIATION:

The extension of the availability of an appropriation for expenditure beyond its set termination date and/or for a new purpose. Reappropriations are usually authorized by the Legislature for one year extensions at a time, with the exception of Capital Outlay.

RECEIPTS:

Describes an increase in the assets of a fund including revenues as well as transfers from other funds, federal receipts and fund reimbursements.

RECONCILIATION WITH APPROPRIATIONS:

A statement in each budget presentation which sets forth the source and amount of appropriations, by fund, available to the department and the disposition of such appropriated funds. Statements are presented by fund for each character of expenditure, i.e., State Operations, Local Assistance and Capital Outlay.

REIMBURSEMENTS:

Amount received as a repayment of the cost of work, or service performed, or of other expenditures made for or on behalf of another governmental unit or department. Reimbursements represent the recovery of an expenditure. Reimbursements are available for expenditure in accordance with the budgeted amount (scheduled in an appropriation).

RESERVE:

An amount set aside in a fund balance to provide for expenditures from the unencumbered balances of continuing appropriations, economic uncertainties, future apportionments, pending salary or price increase appropriations and appropriations for capital outlay projects.

REVENUE:

The addition to cash or other current assets of governmental costs funds (receipts) which do not increase any liability or reserve and do not represent the recovery of an expenditure, i.e., reimbursements. Generally, revenue is derived from taxes, licenses and fees or investment earnings.

REVERSION:

The return of the unused portion of an appropriation to the fund from which the appropriation was made. The undisbursed portion of an appropriation reverts two years (four years for federal funds) after the last day of availability for encumbrance. The Budget Act often provides for the reversion of unused portions of appropriations when such reversion is to be made prior to the statutory limit.

SALARY SAVINGS:

Salary savings reflects personnel cost savings resulting from vacancies and downward reclassifications as a result of turnover of employees. The amount of budgeted salary savings is an estimate generally based on past year experience.

SPECIAL FUND FOR ECONOMIC UNCERTAINTIES:

Statutes and the control sections of the Budget Act provide for the establishment of a Special Fund for Economic Uncertainties and a reserve in each special fund to provide for emergency situations. The appropriation of such funds from the reserves are not subject to the appropriation limits imposed on other appropriations. (See "Appropriations Limits.")

SPECIAL FUNDS:

Special funds is a generic term used for “governmental cost funds” other than the General Fund. Governmental cost funds generally are commonly defined as those funds used to account for revenues from taxes, licenses and fees where the use of such revenues is restricted by law for particular functions or activities of government. Examples of special funds are the transportation funds, fish and game funds and the professions and vocations funds. Revenues, expenditures and the condition of special funds are summarized in Schedules 8, 9 and 10 in the Governor's Budget Summary.

STAFF BENEFITS:

The staff benefits object represents the state costs of contributions for employees' retirement, OASDI, health and welfare benefits, worker's compensation, unemployment insurance, industrial disability leave benefits and nonindustrial disability leave benefits.

STATE-MANDATED LOCAL PROGRAM:

State reimbursements to local governments for the cost of activities required by legislative and executive acts. This requirement was established by Chapter 1406, Statutes of 1972 (SB 90) and further ratified by the adoption of Proposition 4 (a constitutional amendment) at the November 6, 1979, general election. (See “Governor's Budget: 8885 Commission on State Mandates.”)

STATE OPERATIONS:

Expenditures for the support of state government, exclusive of capital investments and expenditures for local government activities.

SUMMARY BY OBJECT:

A summary of actual past year and estimated current and budget year expenditures for goods and services for each organization presented for State Operations, Local Assistance and Capital Outlay expenditures.

SUMMARY OF PROGRAM REQUIREMENTS:

At the front of each departmental budget is a Summary of Program Requirements. It presents the various departmental programs by title, dollar totals, personnel years, and source of funds for the past, current and budget years.

SUMMARY SCHEDULES:

The Governor's Budget Summary includes schedules which summarize state revenues, expenditures and other fiscal and personnel data for the past, current and budget years.

TAX EXPENDITURES:

Subsidies provided through the taxation systems.

TRANSFERS:

As reflected in fund condition statements, transfers reflect the movement of resources from one fund to another based on statutory authorization or specific legislative transfer authority.

Description of Fund Classifications in the Treasury

Revenues and expenditures in the program budget and the summary schedules reflect the activities of many separate funds. Summary Schedule 10 provides a complete list of governmental cost funds. The Index lists those funds for which Fund Conditions are included in the budget and references the page number. General Fund and Special Fund expenditures represent the cost of government and are included in budget totals, and along with selected Bond Funds, are included in the overall expenditure totals. In 1981-82 the State of California began to change classification of funds in the state treasury to conform to Generally Accepted Accounting Principles as set forth by the National Council on Governmental Accounting. Schedule 3 includes a description of these changes and shows their effect on the budget totals.

General Fund. Used to account for all revenues and activities financed therefrom which are not required by law to be accounted by any other fund. Most state expenditures are financed from the General Fund. Normally, the only difference between the General Fund and the other governmental costs funds is the restriction placed on the use of the other governmental cost funds.

Special Funds. Consists of governmental cost funds used to account for taxes and revenues which are restricted by law for particular functions or activities of government. The funds included in these classifications are primarily for the regulation of businesses, professions and vocations; transportation; law enforcement; and capital outlay.

General Fund Special Accounts. Legislatively created accounts or dedicated revenues within the General Fund. Moneys credited to such accounts may be used only for the purposes specified in the legislation. As a result of Chapter 942, Statutes of 1977, these special accounts are treated as special funds, and revenues and expenditures are included in the special fund totals in the summary schedules of the budget. They are therefore excluded from the General Fund unrestricted revenues, expenditures and reserves.

Other Funds. Expenditures from funds which do not represent a cost of government are not included in the budget totals. They consist of moneys which were derived

from sources other than general or special taxes, licenses, fees or other state revenues. Included are receipts from the Federal Government, funds created for accounting purposes, receipts from sale of lands, or moneys held in trust. These funds are segregated into the following classifications:

Working Capital and Revolving Funds. Funds created to finance internal service activities rendered by a state agency to other state agencies or to local governments for which charges are made at cost. The charges are reflected as expenditures in the budget of the agency receiving the commodity or service.

Public Service Enterprise Funds. Self-supporting activities operated by the State for the benefit of the public. Funds are derived from charges to those who use the service and no support is derived from taxes, licenses or other state revenues.

Bond Funds. Used to account for the receipt and disbursement of proceeds from the sale of bonds and to finance projects for which the bonds were authorized. Expenditures are considered a cost of government at the time interest payments are made and as the bonds are redeemed.

Retirement Funds. Moneys held in trust by the State for retirement benefit payments.

Trust and Agency Funds. Funds holding moneys in trust pending disbursements to trustors, moneys received from the Federal Government to be expended for specific purposes, and other funds which do not derive their sources from taxes or other state revenues, or are in the nature of transitory funds created for the convenience of accounting receipts or disbursements which are not necessarily revenues or expenditures.

Selected Bond Funds. Selected bond funds are General Obligation Bond funds which are nonself-liquidating. Included in the overall expenditures totals of Schedules 1 and 9 for budget purposes are expenditures from the selected bond funds. The following page provides a complete listing of all selected bond funds.

| FUND NO. | FUND NAME | FUND NO. | FUND NAME |
|----------|---|----------|---|
| 0732 | Beach, Park, Recreational and Historical Facilities Fund of 1964, State | 0720 | Lake Tahoe Acquisition Fund |
| 0733 | Beach, Park, Recreational and Historical Facilities Fund of 1974, State | 0794 | Library Construction and Renovation Fund, California |
| 0743 | Bond Proceeds Account, State School Building Lease-Purchase Fund | 0723 | New Prison Construction Fund |
| 0703 | Clean Air and Transportation Improvement Fund | 0762 | Oil Spill Bond Expense Account, Oil Spill Prevention and Administration Fund |
| 0740 | Clean Water Bond Fund of 1984, State | 0721 | Parkland Fund of 1980 |
| 0734 | Clean Water Fund, State | 0722 | Parkland Fund of 1984 |
| 0737 | Clean Water and Water Conservation Fund, State | 0756 | Passenger Rail Bond Fund of 1990 |
| 0764 | Clean Water and Water Reclamation Fund of 1988 | 0751 | Prison Construction Bond Fund of 1990 |
| 0730 | Coastal Conservancy Fund of 1984, State | 0724 | Prison Construction Fund of 1984 |
| 0716 | Community Parklands Fund | 0746 | Prison Construction Fund of 1986 |
| 0736 | Construction Program Fund, State | 0747 | Prison Construction Fund of 1988 |
| 0711 | County Correctional Facility Capital Expenditure Fund of 1986 | 0659 | Public Safety Bond Fund of 1996 (Proposed) |
| 0796 | County Correctional Facility Capital Expenditure and Youth Facility Bond Fund of 1988 | 0728 | Recreation and Fish and Wildlife Enhancement Fund |
| 0725 | County Jail Capital Expenditure Fund, Bond Act of 1981 | 0749 | Refunding Escrow Fund |
| 0727 | County Jail Capital Expenditure Fund, Bond Act of 1984 | 0707 | Safe Drinking Water Fund, California |
| 0788 | Earthquake Safety and Housing Rehabilitation Bond Account, Housing Rehabilitation Loan Fund, California | 0793 | Safe Drinking Water Fund of 1988, California |
| 0768 | Earthquake Safety and Public Building Rehabilitation Fund of 1990 | 0789 | School Facilities June 1988 Bond Account, State School Building Lease-Purchase Fund |
| 0748 | Fish and Wildlife Habitat Enhancement Fund | 0776 | School Facilities November 1988 Bond Account, State School Building Lease-Purchase Fund |
| 0710 | Hazardous Substance Cleanup Fund | 0774 | School Facilities June 1990 Bond Account, State School Building Lease-Purchase Fund |
| 0718 | Health Science Facilities Construction Program Fund | 0708 | School Facilities Bond Act, November 1990, State School Building Lease-Purchase Fund |
| 0782 | Higher Education Capital Outlay Bond Fund | 0745 | School Facilities Bond Act, June 1992 |
| 0785 | Higher Education Capital Outlay Bond Fund of 1988 | 0765 | School Facilities Bond Act, November 1992 |
| 0791 | Higher Education Capital Outlay Fund, June 1990 | 0729 | Senior Center Bond Act Fund |
| 0705 | Higher Education Capital Outlay Bond Fund of 1992 | 0742 | Urban and Coastal Park Fund, State |
| 0658 | Higher Education Capital Outlay Bond Fund of 1996 (Proposed) | 0790 | Water Conservation Fund of 1988 |
| 0714 | Home Building and Rehabilitation Fund | 0744 | Water Conservation and Water Quality Bond Fund of 1986 |
| | | 0786 | Wildlife, Coastal and Park Land Conservation Fund of 1988, California |
| | | 0787 | Wildlife and Natural Areas Conservation Fund (subfund of 0786) |

Description of Key Schedules

The Budget Summary includes summary information in various schedules. The following schedules are those which may be the most useful for the public, private sector, or other levels of government.

SCHEDULE 1. General Budget Summary—Provides for a summary of total statewide revenues and expenditures for the General Fund and Special funds plus expenditure totals for the Selected Bond funds.

SCHEDULE 2. Total State Spending Plan—Provides in single schedule the State's total spending plan. In addition to the General Fund, Special funds, and Selected Bond funds, expenditures from nongovernmental Cost funds and Federal funds are shown.

SCHEDULE 3A. Total State Spending Plan by Generally Accepted Accounting Principles (GAAP) Fund Classifications—Provides in a single schedule the State's Total Spending Plan (Schedule 2) rearranged into GAAP Fund Classifications.

SCHEDULE 3B. Comparison of California's Current Fund Structure to Recommended GAAP Fund Classifications—Provides a comparison of California's Current Fund Structure to recommended GAAP Fund Classifications.

SCHEDULE 4. Personnel Years and Salary Cost Estimates—Provides personnel year data and corresponding dollar amounts by functional breakdown and position classifications. This schedule reflects net data after salary savings.

SCHEDULE 5 Positions and Salary Cost Estimates—Provides position and personnel year data and corresponding dollar amounts by functional breakdown. This schedule reflects both gross data before salary savings and net totals salaries and wages.

SCHEDULE 6. Summary of State Population, Employees, and Expenditures—Provides historical data of State population, employees and expenditures.

SCHEDULE 7. General Fund: Statement of Financial Condition—Provides the financial condition of the General Fund as of June 30 from the most recently available information from the State Controller.

SCHEDULE 8. Comparative Statement of Revenues—Provides General Fund and Special fund revenue detailed amounts within three main breakdowns of: (1) major taxes and licenses, (2) other revenues, and (3) transfers.

SCHEDULE 9. Comparative Statement of

Expenditures—Provides a listing of expenditures in the order of printing of individual budgets from the General Fund, Special funds, selected Bond funds and Federal funds for State Operations, Local Assistance and Capital Outlay.

SCHEDULE 10. Summary of Fund Condition Statements—Provides for the General Fund and each Special fund the beginning reserve, income, expenditures, transfers, and ending reserve for each of the three fiscal years displayed in the Governor's Budget.

SCHEDULE 11. Statement of Bonded Debt—Provides a listing of all general obligation bonds including maturity dates, authorized amount of bond issues, unsold issues, redemptions and outstanding issues.

SCHEDULE 12A. State Appropriations Limit

Summary—Provides a summary of Schedules 12B through 12E and calculates the State Appropriations Limit (SAL), total SAL Appropriations and the Appropriation Limit Room or Surplus.

SCHEDULE 12B. Revenues to Excluded Funds

Provides a listing of revenues to special funds that are not included in the calculation of total appropriations subject to the State Appropriations Limit.

SCHEDULE 12C. Non-tax Revenues in Funds Subject to Limit—Provides a total of nontax revenues for General and Special funds deposited in funds that are included in the calculation of total appropriations subject to the State Appropriations Limit.

SCHEDULE 12D. Transfer from Excluded Funds to

Included Funds—Provides transfers between funds that are included in calculating the appropriations subject to the State Appropriations Limit.

SCHEDULE 12E. Expenditures Excluded from Limit by Agency—Provides a distribution of actual gross appropriations that are excluded from appropriations subject to the State Appropriations Limit.

SCHEDULE 1
GENERAL BUDGET SUMMARY¹
(In Thousands)

| | Reference to Schedule | General Fund | Special Funds | Budget Expenditure Totals | Selected Bond Fund Expenditures | Expenditure Totals Including Bonds |
|--|-----------------------------|-----------------|------------------|---------------------------------|--|---|
| 1994-95² | | | | | | |
| Prior year resources available..... | 10 | \$109,066 | \$1,411,099 | | | |
| Revenues, transfers and other additions..... | 8 | 42,710,072 | 12,231,683 | | | |
| Deficit Elimination Plan-loan..... | - | 1,025,000 | - | | | |
| Loan Repayments..... | - | 1,200,000 | - | | | |
| Expenditures..... | 9 | 41,961,458 | 11,942,945 | \$53,904,403 | \$708,120 | \$54,612,523 |
| Fund Balance ⁵ | 10 | \$682,680 | \$1,699,837 | | | |
| Reserve for Proposition 98 ⁴ | - | 63,437 | - | | | |
| Special Fund for Economic Uncertainties ³ | - | 312,968 | - | | | |
| Reserves for Economic Uncertainties ³ | - | - | 1,699,837 | | | |
| Reserve for Liquidation of Encumbrances ⁵ | - | 306,275 | - | | | |
| 1995-96 | | | | | | |
| Prior year resources available..... | 10 | \$682,680 | \$1,699,837 | | | |
| Revenues and transfers..... | 8 | 44,991,005 | 12,859,423 | | | |
| Loan Repayments..... | - | 1,025,000 | - | | | |
| Expenditures..... | 9 | 44,246,040 | 12,941,805 | \$57,187,845 | \$688,071 | \$57,875,916 |
| Fund Balance ⁵ | 10 | \$402,645 | \$1,617,455 | | | |
| Reserve for Proposition 98 ⁴ | - | 46,414 | - | | | |
| Special Fund for Economic Uncertainties ³ | - | 49,956 | - | | | |
| Reserves for Economic Uncertainties ³ | - | - | 1,617,455 | | | |
| Reserve for Liquidation of Encumbrances ⁵ | - | 306,275 | - | | | |
| 1996-97 | | | | | | |
| Prior year resources available..... | 10 | \$402,645 | \$1,617,455 | | | |
| Revenues and transfers..... | 8 | 45,570,510 | 13,281,711 | | | |
| Expenditures..... | 9 | 45,242,195 | 13,333,005 | \$58,575,200 | \$2,955,708 | \$61,530,908 |
| Fund Balance ⁵ | 10 | \$730,960 | \$1,566,161 | | | |
| Reserve for Proposition 98 ⁴ | - | 20,951 | - | | | |
| Special Fund for Economic Uncertainties ³ | - | 403,734 | - | | | |
| Reserves for Economic Uncertainties ³ | - | - | 1,566,161 | | | |
| Reserve for Liquidation of Encumbrances ⁵ | - | 306,275 | - | | | |

¹ The General Budget Summary includes the revenues and expenditures of all state funds that reflect the cost of State government and selected bond fund expenditures. The transactions involving other nongovernmental cost funds are excluded. The amounts included in this schedule for expenditures and revenues may not agree with those shown in Schedules 8, 9 and 10 due to rounding.

² Due to lack of time for complete reconciliation to the State Controller's preliminary fiscal data for their annual report, the amounts reflected in the 1994-95 fiscal year may not agree with the data which will be included in the State Controller's Annual Report.

³ The Special Fund for Economic Uncertainties and the Reserves for Economic Uncertainties provide sources of funds to meet obligations of the General Fund and Special Funds in the event of a decline in revenues or on unanticipated increase in expenditures.

⁴ The Reserve for Proposition 98 represents the amounts which were not spent from appropriations made to meet the State's obligation to conform to Proposition 98.

⁵ The Reserve for Liquidation of Encumbrances represents an amount which will be expended in the future for state obligations for which goods and services have not been received. This Reserve treatment is consistent with accounting methodology prescribed by Generally Accepted Accounting Principles (GAAP) and Chapter 1286, Statutes of 1984 (AB 3372) which requires the State to conform its fiscal management system to GAAP.

⁶ The Fund Balance for the General Fund includes amounts for unencumbered balances of continuing appropriations at the end of the 1994-95, 1995-96 and 1996-97 fiscal years of \$101,062; \$92,191, and \$8,786 (in thousands) respectively.

SCHEDULE 2 TOTAL STATE SPENDING PLAN

This Schedule is included for informational purposes to show in one place the expenditures of all funds which are accounted for by the State.

A basic premise in a consolidation such as this is that the State is the financial unit and individual funds are subsidiary units to the State. This is similar to financial units in the private sector in which diversified commercial corporations with several subsidiaries report their operation on a consolidated basis—but is a contrast to traditional governmental accounting, which has held that the individual funds are the financial units and should not be consolidated with other funds or types of funds. A total consolidation presents both theoretical and practical problems because of the individual nature of each fund. In essence, each fund is a separate fiscal and legal entity that operates under the specific legal provisions that created it. Examples of problems which may arise from an unqualified consolidation are (1) funds are accounted for in a different manner, (2) duplication of expenditures result, (3) expenditures from non-state funds are included, and (4) expenditures are included for quasi-state operations such as Workers' Compensation and for payment of retirement benefits for other governmental units.

In order to minimize misinterpretations, this Schedule is displayed in two parts. Part A summarizes those expenditures from funds traditionally included in budget totals; Part B summarizes expenditures from the other funds which are collectively identified as nongovernmental cost funds. Schedule 2, in either part, does not include reimbursements received from the public or other levels of government, as these are deducted from State expenditures.

TOTAL STATE SPENDING PLAN—PART A GOVERNMENTAL COST, SELECTED BOND FUNDS AND FEDERAL FUNDS

As stated above, Part A summarizes expenditures from funds which are traditionally included as part of State expenditure summaries in the Governor's Budget and other State financial reports. The major portion of the expenditures shown in Part A is for the General Fund and the various special funds, which are commonly referred to as "governmental cost funds." This term is used because these funds are used to account for moneys which are derived from general and special taxes, licenses, fees or other revenue sources to provide financing for State activities which are for the general purposes of State government.

The selected bond funds are included in Part A because of the historical legislative interest in showing these expenditures in budget totals. It should be noted that there is a duplication in showing these expenditure amounts from bond proceeds because the expenditures are included both when bond proceeds are spent and when debt service is paid.

The Federal funds have also been included in Part A because of increasing interest in the level of the State's expenditure of Federal funds. The detail of expenditures by department for the General Fund, special funds, selected bond funds and Federal funds is shown in Schedule 9.

| Funds | 1994-95* | 1995-96* | 1996-97* |
|--|--------------------------|--------------------------|--------------------------|
| Governmental Cost Funds: | | | |
| General Fund | \$41,961,466 | \$44,246,044 | \$45,242,193 |
| Special Funds | <u>11,942,940</u> | <u>12,941,821</u> | <u>13,333,006</u> |
| Totals, Governmental Cost Funds | \$53,904,406 | \$57,187,865 | \$58,575,199 |
| Selected Bond Funds | <u>708,120</u> | <u>688,074</u> | <u>2,955,708</u> |
| Totals, Governmental Cost Funds and Selected Bond Funds | \$54,612,526 | \$57,875,939 | \$61,530,907 |
| Federal Funds | <u>31,497,271</u> | <u>31,598,906</u> | <u>31,171,231</u> |
| TOTALS | \$86,109,797 | \$89,474,845 | \$92,702,138 |

TOTAL STATE SPENDING PLAN—PART B NONGOVERNMENTAL COST FUNDS

Nongovernmental cost funds are used to account for moneys which are derived from sources other than general or special taxes, licenses, fees or other state revenues. Although Federal funds and bond funds are classified as nongovernmental costs funds, they are included in Part A for reasons cited therein. The nongovernmental cost funds shown in Part B are segregated into the following classifications.

PUBLIC SERVICE ENTERPRISE FUNDS

Public Service Enterprise Funds are used to account for the transactions of self-supporting enterprises which render services for a charge primarily to the general public.

Activities which are accounted through Public Service Enterprise Funds include toll bridges, harbor facilities, disability insurance, college housing, and veterans farm and home loan financing. Bond funds and sinking funds related to a public service enterprise are included in this classification.

Public Service Enterprise Funds differ from Working Capital and Revolving Funds in that, in the latter, fees for services rendered are largely from other State agencies or local governments.

It should be noted that expenditures shown below from the Compensation Insurance Fund do not include benefit payments to State employees because the State is self-funded. The expenditures shown are benefits paid from funding provided through insurance premiums and therefore are not true State costs.

WORKING CAPITAL AND REVOLVING FUNDS

Working Capital and Revolving Funds are used to account for the internal service activities rendered by a State agency to other State agencies or to local governments. Activities which are accounted through Working Capital and Revolving Funds include centralized purchasing for stores, consolidated data center services, printing, architectural services, manufacturing, surplus money investment, payroll disbursement, automotive management, and building operations.

Working Capital and Revolving Funds differ from the Public Service Enterprise Funds, which render services primarily to the general public. To the extent that services are provided to other State agencies, expenditures shown in Working Capital and Revolving Funds are duplicative of expenditures shown in the agencies.

BOND FUNDS

Bond Funds are used to account for the receipt and disbursement of bond proceeds. They do not account for bond retirement since the liability created by the sale of bonds is not a liability of these funds. Bonds are retired and the interest obligations thereon are paid through the provisions specified in the bond act.

Bond Funds related to a public service enterprise are included in the Public Service Enterprise Fund classification.

RETIREMENT FUNDS

Retirement Funds are used to account for employer and member contributions received by various retirement systems, the investment of these moneys, annuity payments, refunds to members, and other receipts and disbursements. The amounts shown below reflect both administrative costs and benefits paid to annuitants. For the Public Employees' Retirement Fund and the Teachers' Retirement Fund, funding includes non-state sources and expenditures therefrom are not true State costs. Also, costs funded from amounts transferred into these funds from other State agencies are duplicative of expenditures shown in the agencies.

OTHER NONGOVERNMENTAL COST FUNDS

For selected programs, the State budget has traditionally included funding provided by county funds and university funds for informational purposes. Because of inclusion in the budget, these expenditures are shown in Schedule 2. The balance of funds shown in this classification are for Trust and Agency Funds which are used to account for moneys and properties that are received from other than Federal sources and which are held and disbursed from the State Treasury by the State as trustee or custodian.

The following provides detail for the significant funds and amounts which comprise the various categories of Nongovernmental Cost Funds:

| Funds | 1994-95* Amount | 1995-96* Amount | 1996-97* Amount |
|--|--------------------|--------------------|--------------------|
| PUBLIC SERVICE ENTERPRISE FUNDS | | | |
| Housing Finance Fund, California | \$11,091 | \$12,329 | \$12,329 |
| Water Resources Development Band Fund | 285,645 | 409,094 | 345,656 |
| Central Valley Water Project Const Fund | 201,514 | 242,308 | 130,698 |
| Central Valley Water Project Revenue Fund | 255,204 | 212,722 | 219,138 |
| Expo & State Fair Enterprise Fund, Cal | 18,169 | 17,522 | 17,750 |
| Compensation Insurance Fund..... | 1,100,766 | 1,311,000 | 1,361,000 |
| Employment Training Fund | 123,822 | 70,926 | 70,994 |
| Harbors and Watercraft Revolving Fund | 38,428 | 47,034 | 50,812 |
| Univ Continuing Education Revenue Ed, St | 87,114 | 87,801 | 89,500 |
| Univ Dormitory Revenue Fd, Calif State | 81,612 | 63,985 | 63,985 |
| Univ Parking Revenue Fund, State..... | 5,974 | 19,643 | 19,643 |
| Unemployment Compensation Disability Fund | 1,909,059 | 1,990,494 | 2,057,244 |
| Veterans Farm & Home Building Fund 1943 | 318,415 | 318,661 | 305,864 |
| Others..... | 7,959 | 22,472 | 17,022 |
| TOTALS, PUBLIC SERVICE ENTERPRISE FUNDS | \$4,444,772 | \$4,825,991 | \$4,761,635 |

| Funds | 1994-95* Amount | 1995-96* Amount | 1996-97* Amount |
|--|---------------------|---------------------|---------------------|
| WORKING CAPITAL AND REVOLVING FUNDS | | | |
| Protective Services Fund | -- | \$28,034 | \$28,034 |
| Architecture Revolving Fund | \$20,400 | 21,862 | 21,441 |
| Health & Welfare Agency Data Center Revenue Fund | 83,923 | 159,356 | 187,685 |
| Mabilehame Manufactured Home Revalving Fund | 13,257 | 13,148 | 13,435 |
| Public Buildings Construction Fund | 544,976 | 741,305 | 399,458 |
| Service Revolving Fund | 394,335 | 352,959 | 369,097 |
| Water Quality Control Fund, State | 9,101 | 10,135 | 3,663 |
| Stephen P Teale Data Center Revalving Fund | 77,460 | 76,838 | 78,434 |
| Consumer Affairs Fund | 1,027 | 25,027 | 25,027 |
| Others | -9,000 | 2,474 | 1,253 |
| TOTALS, WORKING CAPITAL AND REVOLVING FUNDS .. | \$1,135,479 | \$1,431,138 | \$1,127,527 |
| BOND FUNDS--OTHER | | | |
| School Building Aid Fund, State | \$26,883 | \$23,489 | \$20,803 |
| TOTALS, BOND FUNDS--OTHER | \$26,883 | \$23,489 | \$20,803 |
| RETIREMENT FUNDS | | | |
| Judges Retirement Fund | \$68,484 | \$75,446 | \$75,446 |
| Public Employees' Retirement Fund | 3,696,531 | 4,064,840 | 4,471,811 |
| Teachers Retirement Fund | 2,704,679 | 3,125,915 | 3,426,061 |
| Others | 5,592 | 5,882 | 6,064 |
| TOTALS, RETIREMENT FUNDS | \$6,475,286 | \$7,272,083 | \$7,979,382 |
| OTHER NONGOVERNMENTAL COST FUNDS | | | |
| Administrative Cloiming Fund | \$20,000 | \$6,667 | \$6,667 |
| Targeted Cose Management Cloiming Fund | -- | 13,333 | 13,333 |
| Emerg Serv & Supplemental Payments Fund | 274,747 | 556,285 | 111 |
| Lattery Education Fund, Calif State | 759,966 | 760,025 | 758,338 |
| Flexelect Benefit Fund | 12,287 | 12,874 | 13,481 |
| Public Employees' Health Care Fund | 315,974 | 350,557 | 374,948 |
| Medi-Cal Inpatient Pymt Adjustment Fund | 1,472,119 | 966,224 | 1,317,667 |
| University Lattery Educotian Fund, Cal S | 27,574 | 35,900 | 30,000 |
| Callins-Dugon CA Conservation Corps Fund | 5,537 | 23,675 | 24,024 |
| School Employees Fund | 34,493 | 35,723 | 35,424 |
| Inmate Welfare Fund | 35,150 | 39,812 | 43,072 |
| Forest Resources Improvement Fund | 15,650 | 14,918 | 14,630 |
| Triol Court Trust Fund | 154,991 | 155,500 | 1,434,600 |
| Special Deposit Fund | 41,395 | 61,952 | 14,644 |
| Guaranteed Loan Reserve Fund, State | 109,384 | 29,181 | 30,222 |
| Locol Property Tax Revenues | 9,905,981 | 10,009,526 | 10,069,678 |
| Toll Bridge Funds, Consolidated | 128,903 | 151,849 | 248,134 |
| Higher Education Fees and Income- UC/CC | 1,002,144 | 1,014,816 | 1,031,212 |
| University Funds--Unclassified | 3,837,619 | 4,037,603 | 4,154,526 |
| Other Unclassified Funds | 765,105 | 445,829 | 442,564 |
| Others | 35,044 | 51,055 | 39,519 |
| TOTALS, OTHER NONGOVERNMENTAL COST FUNDS | \$18,954,063 | \$18,773,304 | \$20,096,794 |
| TOTAL | \$31,036,483 | \$32,326,005 | \$33,986,141 |

TOTAL STATE SPENDING PLAN--PART C
REIMBURSEMENTS

| Funds | 1994-95* Amount | 1995-96* Amount | 1996-97* Amount |
|----------------------|--------------------|--------------------|--------------------|
| Reimbursements | \$3,322,278 | \$3,875,741 | \$3,939,866 |

* Dollors in thousands

IMPLEMENTATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Implementation of Chapter 1286, Statutes of 1984, requires the state to conform its financial management system to Generally Accepted Accounting Principles (GAAP) to the extent that the Department of Finance deems it to be in the best interest of the State.

GAAP represents uniform minimum standards and guidelines for financial accounting and reporting. The goal of GAAP is to standardize the accounting and financial reporting of organizations regardless of jurisdictional legal provisions and customs. The purpose of "Governmental GAAP" is to provide a uniform set of rules so the presentation of governmental financial reports for taxpayers, bond rating companies, legislators and other readers are consistent from year to year, as well as comparable between governmental entities.

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for activities and transactions of state and local governmental entities. The State of California currently is a dues-paying member of the GASB organization and provides input for the various issues being studied by GASB.

An effort is currently underway within the Department of Finance to ensure that the budget and financial statements of the state are more understandable and are presented in a fair and consistent manner through the application of Generally Accepted Accounting Principles.

The Department of Finance has taken the following actions to implement GAAP:

1. A work group was established to review the changes required by GAAP and to establish priorities and task assignments.
2. In 1986-87, the Governor's Budget and Budget Act changed the classification of student fees in the California State University System to revenue rather than reimbursements.
3. In 1986-87, the Governor's Budget and Budget Act changed the classification of State Hospital Medical Care receipts to reimbursements rather than revenue.
4. In 1987-88, the Governor's Budget displayed the interest and redemption costs of general obligation bonds in the relevant program area for each bond.
5. The Office of State Audits and Evaluation (OSAE) of the Department of Finance has done work on rewriting the sections of the State Administrative Manual covering proprietary funds to bring them into conformance with GAAP.
6. The "Fund Manual" for California has been rewritten to bring it into conformance with GAAP.
7. The 1989-90 Governor's Budget provided for the treatment of General Fund encumbrances as a reservation of fund balance rather than expenditures. This treatment is consistent with the GAAP standard that encumbrances are obligations for which goods and services have not been received and which therefore should not be shown as expenditures.

The State's fiscal system is highly complex with many interrelationships between budgeting and accounting. Consequently, some of the changes in accounting that are necessary to conform to GAAP impact the budget system and/or the Governor's Budget presentations. These interrelationships will result in the GAAP changes being accomplished over a number of years.

The following two charts illustrate the effect of conversion to GAAP fund classifications:

Schedule 3A shows the "Total State Spending Plan" data shown in Schedule 2 rearranged into the GAAP classifications.

Schedule 3B uses 1996-97 budget totals to show California's current fund structure compared to recommended GAAP classifications.

**SCHEDULE 3A
TOTAL STATE SPENDING PLAN
BY GAAP FUND CLASSIFICATION**

| GAAP Fund Structure | 1994-95* | 1995-96* | 1996-97* |
|---|----------------------|----------------------|----------------------|
| Governmental Funds | | | |
| General Fund | \$41,961,466 | \$44,246,044 | \$45,242,193 |
| Special Revenue Funds | 31,906,818 | 33,110,305 | 34,724,341 |
| Capital Project Funds | 612,652 | 593,055 | 2,759,376 |
| Total Governmental Funds | \$74,480,936 | \$77,949,404 | \$82,725,910 |
| Proprietary Funds | | | |
| Enterprise Funds | \$3,042,782 | \$3,606,949 | \$3,134,660 |
| Internal Service Funds | 576,890 | 661,032 | 712,196 |
| Total Proprietary Funds | \$3,619,672 | \$4,267,981 | \$3,846,856 |
| Fiduciary Funds | | | |
| Retirement Funds | \$6,475,225 | \$7,272,016 | \$7,979,315 |
| Trust and Agency Funds--Other | 8,691,870 | 8,671,731 | 8,694,322 |
| Trust and Agency Funds--Federal | 4,153,700 | 3,860,743 | 3,338,538 |
| Total Fiduciary Funds | \$19,320,795 | \$19,804,490 | \$20,012,175 |
| Funds Outside State Treasury | | | |
| Other | \$19,724,877 | \$19,778,975 | \$20,103,338 |
| Total Funds Outside State Treasury | 19,724,877 | 19,778,975 | 20,103,338 |
| TOTAL SPENDING, ALL FUNDS | \$117,146,280 | \$121,800,850 | \$126,688,279 |

*Dollars in thousands

SCHEDULE 3B
COMPARISON OF CALIFORNIA CURRENT
FUND STRUCTURE AND RECOMMENDED GAAP FUND STRUCTURE
USING 1996-97 BUDGET TOTALS
(In Thousands)

FUND STRUCTURE BASED ON GAAP CLASSIFICATION

| CURRENT FUND STRUCTURE | Governmental Funds | | | | Proprietary Funds | | Fiduciary Funds | | Funds Outside State Treasury | Totals |
|---|---------------------|-----------------------|------------------------|--------------------------|--------------------|------------------------|--------------------|------------------------|------------------------------|----------------------|
| | General Fund | Special Revenue Funds | Capital Projects Funds | Total Governmental Funds | Enterprise Funds | Internal Service Funds | Retirement Funds | Trust and Agency Funds | | |
| Governmental Cost Funds | | | | | | | | | | |
| General Fund | \$45,242,193 | -- | -- | \$45,242,193 | -- | -- | -- | -- | -- | \$45,242,193 |
| General Fund Special Accounts | -- | \$945,628 | -- | 945,628 | \$49,039 | \$23,478 | -- | \$21,241 | -- | 1,039,386 |
| Transportation Funds | -- | 3,718,543 | -- | 3,718,543 | -- | -- | -- | 3,592,495 | -- | 7,311,038 |
| Feeder Funds | -- | -- | -- | -- | -- | -- | -- | 28,592 | -- | 28,592 |
| Other Governmental Cost Funds | -- | 4,926,622 | 2,510 | 4,929,132 | -- | -- | -- | 24,858 | -- | 4,953,990 |
| Total Governmental Cost Funds | \$45,242,193 | \$9,590,793 | \$2,510 | \$54,835,496 | \$49,039 | \$23,478 | -- | \$3,667,186 | -- | \$58,575,199 |
| Selected Bond Funds | -- | -- | 2,733,498 | 2,733,498 | -- | -- | -- | 221,394 | \$816 | 2,955,708 |
| Total Governmental Cost Funds and Selected Bond Funds | \$45,242,193 | \$9,590,793 | \$2,736,008 | \$57,568,994 | \$49,039 | \$23,478 | -- | \$3,888,580 | \$816 | \$61,530,907 |
| Nongovernmental Cost Funds | | | | | | | | | | |
| Public Service Enterprise Funds | -- | -- | \$1,727 | \$1,727 | \$2,631,670 | -- | -- | \$2,128,238 | -- | \$4,761,635 |
| Working Capital and Revolving Funds | -- | \$13,435 | 21,441 | 34,876 | 409,105 | \$688,718 | -- | -5,172 | -- | 1,127,527 |
| Bond Funds--Other | -- | -- | -- | -- | -- | -- | -- | 20,803 | -- | 20,803 |
| Trust and Agency Funds: | | | | | | | | | | |
| Retirement Funds | -- | -- | -- | -- | -- | -- | \$7,979,315 | 67 | -- | 7,979,382 |
| Trust and Agency Funds--Federal | -- | 23,678,167 | -- | 23,678,167 | -- | -- | -- | 3,338,538 | \$4,154,526 | 31,171,231 |
| Trust and Agency Funds--Other | -- | 1,441,946 | 200 | 1,442,146 | 44,846 | -- | -- | 2,661,806 | -- | 4,148,798 |
| Other Nongovernmental Cost Funds | -- | -- | -- | -- | -- | -- | -- | -- | 15,947,996 | 15,947,996 |
| Total Nongovernmental Cost Funds | -- | \$25,133,548 | \$23,368 | \$25,156,916 | \$3,085,621 | \$688,718 | \$7,979,315 | \$8,144,280 | \$20,102,522 | \$65,157,372 |
| TOTAL SPENDING, ALL FUNDS | \$45,242,193 | \$34,724,341 | \$2,759,376 | \$82,725,910 | \$3,134,660 | \$712,196 | \$7,979,315 | \$12,032,860 | \$20,103,338 | \$126,688,279 |

SCHEDULE 4
PERSONNEL YEARS AND SALARY COST ESTIMATES

(Excludes Staff Benefits)
(Dollars in Thousands)

| | Personnel Years | | | Dollars | | |
|--|------------------|------------------|------------------|---------------------|---------------------|---------------------|
| | 1994-95 | 1995-96 | 1996-97 | 1994-95 | 1995-96 | 1996-97 |
| Legislative, Judicial, and Executive | | | | | | |
| Legislative | 596.7 | 625.5 | 625.5 | \$31,491 | \$35,206 | \$36,180 |
| Judicial | 967.4 | 1,051.2 | 1,120.8 | 65,743 | 70,642 | 74,071 |
| Executive/Governor | 894.2 | 1,001.9 | 1,128.8 | 43,538 | 41,987 | 52,179 |
| Executive/Constitutional Offices | 10,498.6 | 11,480.5 | 11,383.0 | 468,035 | 500,492 | 509,022 |
| State and Consumer Services | 13,190.5 | 13,426.5 | 13,308.1 | 503,435 | 515,472 | 518,718 |
| Business, Transportation, and Housing | | | | | | |
| Business and Housing | 2,048.4 | 2,156.1 | 2,070.8 | 90,496 | 94,835 | 92,798 |
| Transportation | 35,351.1 | 35,819.1 | 34,986.9 | 1,579,225 | 1,587,205 | 1,622,141 |
| Trade and Commerce Agency | 224.9 | 296.4 | 286.5 | 10,170 | 13,647 | 13,566 |
| Resources | 13,907.9 | 14,147.3 | 14,149.3 | 613,662 | 611,817 | 615,759 |
| California Environmental Protection Agency | 4,116.2 | 4,349.9 | 4,268.2 | 193,911 | 205,944 | 207,572 |
| Health and Welfare | 40,266.9 | 40,436.9 | 39,498.6 | 1,593,906 | 1,648,444 | 1,610,291 |
| Youth and Adult Correctional Agency | 38,055.5 | 44,196.6 | 47,850.8 | 1,838,211 | 2,039,205 | 2,216,965 |
| Education | | | | | | |
| K thru 12 Education | 2,393.9 | 2,568.2 | 2,600.5 | 100,358 | 108,572 | 111,653 |
| Higher Education-Community Colleges | 179.8 | 181.2 | 181.1 | 8,959 | 8,995 | 9,107 |
| Higher Education-UC, CSU and Other | 91,925.8 | 87,252.2 | 87,539.7 | 3,701,025 | 3,721,619 | 3,732,676 |
| Higher Ed Unallocated Salary Increase | -- | -- | -- | -- | -- | 112,045 |
| General Government | | | | | | |
| General Administration | 14,386.3 | 15,348.4 | 15,317.3 | 581,257 | 634,770 | 655,487 |
| NET TOTALS, SALARIES AND WAGES | 269,004.1 | 274,337.9 | 276,315.9 | \$11,423,422 | \$11,838,852 | \$12,190,230 |
| Position Classification | | | | | | |
| Civil Service | 174,911.3 | 184,643.9 | 186,392.7 | \$7,573,652 | \$7,944,777 | \$8,117,962 |
| Constitutional | 130.0 | 131.0 | 131.0 | 9,842 | 11,677 | 12,289 |
| Statutory..... | 252.5 | 270.3 | 270.3 | 26,321 | 28,903 | 28,891 |
| Exempt | | | | | | |
| Various Departments | 2,262.3 | 2,585.1 | 2,547.3 | 131,029 | 152,310 | 263,504 |
| Higher Education | | | | | | |
| University of California | 54,379.3 | 52,599.4 | 52,866.4 | 2,241,428 | 2,227,103 | 2,292,503 |
| Hastings College of Law | 222.8 | 223.1 | 223.1 | 11,466 | 12,121 | 13,120 |
| California State University | 36,845.9 | 33,885.1 | 33,885.1 | 1,429,684 | 1,461,961 | 1,461,961 |
| NET TOTALS, SALARIES AND WAGES | 269,004.1 | 274,337.9 | 276,315.9 | \$11,423,422 | \$11,838,852 | \$12,190,230 |

SCHEDULE 5
POSITIONS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(Dollars in Thousands)

| | Personnel Years | | | Dollars | | |
|--|------------------|------------------|------------------|---------------------|---------------------|---------------------|
| | 1994-95 | 1995-96 | 1996-97 | 1994-95 | 1995-96 | 1996-97 |
| Legislative, Judicial, Executive | | | | | | |
| Legislative | 596.7 | 626.5 | 626.5 | \$31,491 | \$35,788 | \$36,762 |
| Judicial | 967.4 | 1,096.0 | 1,148.3 | 65,743 | 74,468 | 78,920 |
| Executive/Governor | 894.2 | 1,047.0 | 1,179.2 | 43,538 | 43,866 | 54,518 |
| Executive/Constitutional Offices | 10,498.6 | 12,018.3 | 11,916.5 | 468,035 | 527,706 | 534,324 |
| State and Consumer Services | 13,190.5 | 14,130.6 | 13,955.6 | 503,435 | 543,716 | 545,520 |
| Business, Transportation, and Housing | | | | | | |
| Business and Housing | 2,048.4 | 2,322.8 | 2,223.2 | 90,496 | 101,602 | 98,961 |
| Transportation | 35,351.1 | 37,916.0 | 36,827.4 | 1,579,225 | 1,719,003 | 1,716,651 |
| Trade and Commerce Agency | 224.9 | 311.6 | 301.3 | 10,170 | 14,359 | 14,273 |
| Resources | 13,907.9 | 14,827.0 | 14,828.7 | 613,662 | 640,698 | 647,913 |
| California Environmental Protection Agency | 4,116.2 | 4,621.4 | 4,489.3 | 193,911 | 217,455 | 217,528 |
| Health and Welfare | 40,266.9 | 43,283.2 | 42,402.1 | 1,593,906 | 1,749,826 | 1,731,293 |
| Youth and Adult Correctional Agency | 38,055.5 | 46,164.5 | 50,173.5 | 1,838,211 | 2,134,660 | 2,330,017 |
| Education | | | | | | |
| K thru 12 Education | 2,393.9 | 2,749.2 | 2,783.7 | 100,358 | 116,170 | 119,450 |
| Higher Education-Community Colleges | 179.8 | 191.7 | 191.7 | 8,959 | 9,467 | 9,585 |
| Higher Education-UC, CSU and Other | 91,925.8 | 90,413.8 | 90,703.2 | 3,701,025 | 3,862,241 | 3,873,321 |
| Higher Ed-Unallotted Salary Increase | -- | -- | -- | -- | -- | 112,045 |
| General Government | | | | | | |
| General Administration | 14,386.3 | 15,853.3 | 15,801.8 | 581,257 | 657,312 | 676,220 |
| TOTALS, SALARIES AND WAGES | 269,004.1 | 287,572.9 | 289,552.0 | \$11,423,422 | \$12,448,337 | \$12,797,301 |
| Less Salary Savings | -- | -13,235.0 | -13,236.1 | -- | -609,485 | -607,071 |
| NET TOTALS, SALARIES AND WAGES | 269,004.1 | 274,337.9 | 276,315.9 | \$11,423,422 | \$11,838,852 | \$12,190,230 |

**SCHEDULE 6
SUMMARY OF STATE POPULATION, EMPLOYEES, AND EXPENDITURES**

| Year | Population ¹ (Thousands) | Employees | Employees Per 1,000 Population | Personal Income (Billions) | Revenue | | Expenditures | | Expenditures per Capito | | Expenditures per \$100 of Personal Income | |
|---------------|--|-----------|--------------------------------------|----------------------------------|-----------------|------------|------------------------------|--------------------|------------------------------|--------------------|--|--------------------|
| | | | | | General Fund | Total | General Fund ² | Total ³ | General Fund ² | Total ³ | General Fund ² | Total ³ |
| | | | | | (Millions) | (Millions) | (Millions) | (Millions) | (Millions) | (Millions) | (Millions) | (Millions) |
| 1950-51 | 10,643 | 61,000 | 5.7 | \$19.8 | \$672 | \$994 | \$587 | \$1,006 | \$55.15 | \$94.52 | \$2.96 | \$5.08 |
| 1951-52 | 11,130 | 63,860 | 5.7 | 22.8 | 734 | 1,086 | 635 | 1,068 | 57.05 | 95.96 | 2.79 | 4.68 |
| 1952-53 | 11,638 | 65,720 | 5.6 | 25.4 | 774 | 1,151 | 714 | 1,177 | 61.35 | 101.13 | 2.81 | 4.63 |
| 1953-54 | 12,101 | 69,928 | 5.8 | 27.2 | 798 | 1,271 | 809 | 1,381 | 66.85 | 114.12 | 2.97 | 5.08 |
| 1954-55 | 12,517 | 74,099 | 5.9 | 28.1 | 879 | 1,434 | 852 | 1,422 | 68.07 | 113.61 | 3.03 | 5.06 |
| 1955-56 | 13,004 | 77,676 | 6.0 | 30.9 | 1,005 | 1,578 | 923 | 1,533 | 70.98 | 117.89 | 2.99 | 4.96 |
| 1956-57 | 13,581 | 88,299 | 6.5 | 33.8 | 1,079 | 1,834 | 1,030 | 1,732 | 75.84 | 127.53 | 3.05 | 5.12 |
| 1957-58 | 14,177 | 98,015 | 6.9 | 36.4 | 1,111 | 1,751 | 1,147 | 1,891 | 80.91 | 133.39 | 3.15 | 5.20 |
| 1958-59 | 14,741 | 101,982 | 6.9 | 38.1 | 1,210 | 1,925 | 1,246 | 1,932 | 84.53 | 131.06 | 3.27 | 5.07 |
| 1959-60 | 15,288 | 108,423 | 7.1 | 41.8 | 1,491 | 2,198 | 1,435 | 2,086 | 93.86 | 136.45 | 3.43 | 4.99 |
| 1960-61 | 15,863 | 115,737 | 7.3 | 44.2 | 1,598 | 2,338 | 1,678 | 2,525 | 105.78 | 159.18 | 3.80 | 5.71 |
| 1961-62 | 16,412 | 122,339 | 7.5 | 46.9 | 1,728 | 2,451 | 1,697 | 2,406 | 103.40 | 146.60 | 3.62 | 5.13 |
| 1962-63 | 16,951 | 128,981 | 7.6 | 50.6 | 1,866 | 2,668 | 1,881 | 2,703 | 110.97 | 159.46 | 3.72 | 5.34 |
| 1963-64 | 17,530 | 134,721 | 7.7 | 54.2 | 2,137 | 3,057 | 2,064 | 3,182 | 117.74 | 181.52 | 3.81 | 5.88 |
| 1964-65 | 18,026 | 143,896 | 8.0 | 58.8 | 2,245 | 3,295 | 2,345 | 3,652 | 130.09 | 202.60 | 3.99 | 6.22 |
| 1965-66 | 18,464 | 151,199 | 8.2 | 62.9 | 2,509 | 3,581 | 2,580 | 4,059 | 139.73 | 219.83 | 4.10 | 6.45 |
| 1966-67 | 18,831 | 158,404 | 8.4 | 68.4 | 2,895 | 4,073 | 3,017 | 4,659 | 160.21 | 247.41 | 4.41 | 6.81 |
| 1967-68 | 19,175 | 162,677 | 8.5 | 73.8 | 3,682 | 4,927 | 3,273 | 5,014 | 170.69 | 261.49 | 4.43 | 6.79 |
| 1968-69 | 19,432 | 171,655 | 8.8 | 80.9 | 4,136 | 5,450 | 3,909 | 5,673 | 201.16 | 291.94 | 4.83 | 7.01 |
| 1969-70 | 19,745 | 179,583 | 9.1 | 88.5 | 4,330 | 5,743 | 4,456 | 6,302 | 225.68 | 319.17 | 5.04 | 7.12 |
| 1970-71 | 20,039 | 181,581 | 9.1 | 94.9 | 4,534 | 5,919 | 4,854 | 6,556 | 242.23 | 327.16 | 5.11 | 6.91 |
| 1971-72 | 20,346 | 181,912 | 8.9 | 100.8 | 5,395 | 6,897 | 5,027 | 6,684 | 247.08 | 328.52 | 4.99 | 6.63 |
| 1972-73 | 20,585 | 188,460 | 9.2 | 110.2 | 5,780 | 7,366 | 5,616 | 7,422 | 272.82 | 360.55 | 5.10 | 6.74 |
| 1973-74 | 20,869 | 192,918 | 9.2 | 121.6 | 6,978 | 8,715 | 7,299 | 9,311 | 349.75 | 446.16 | 6.00 | 7.66 |
| 1974-75 | 21,174 | 203,548 | 9.6 | 136.0 | 8,630 | 10,405 | 8,349 | 10,276 | 394.30 | 485.31 | 6.14 | 7.56 |
| 1975-76 | 21,538 | 206,361 | 9.6 | 149.3 | 9,639 | 11,567 | 9,518 | 11,452 | 441.92 | 531.71 | 6.37 | 7.67 |
| 1976-77 | 21,936 | 213,795 | 9.7 | 167.4 | 11,381 | 13,463 | 10,467 | 12,632 | 477.16 | 575.86 | 6.25 | 7.55 |
| 1977-78 | 22,352 | 221,251 | 9.9 | 186.4 | 13,695 | 15,962 | 11,686 | 14,003 | 522.82 | 626.48 | 6.27 | 7.51 |
| 1978-79 | 22,836 | 218,530 | 9.6 | 213.9 | 15,219 | 17,711 | 16,251 | 18,745 | 711.64 | 820.85 | 7.60 | 8.76 |
| 1979-80 | 23,257 | 220,193 | 9.5 | 244.7 | 17,985 | 20,919 | 18,534 | 21,488 | 796.92 | 923.94 | 7.57 | 8.78 |
| 1980-81 | 23,782 | 225,567 | 9.5 | 278.0 | 19,023 | 22,104 | 21,105 | 24,511 | 887.44 | 1,030.65 | 7.59 | 8.82 |
| 1981-82 | 24,278 | 228,813 | 9.4 | 311.7 | 20,960 | 23,601 | 21,693 | 25,022 | 893.53 | 1,030.65 | 6.96 | 8.03 |
| 1982-83 | 24,805 | 228,489 | 9.2 | 332.8 | 21,233 | 24,291 | 21,751 | 25,330 | 876.88 | 1,021.17 | 6.54 | 7.61 |
| 1983-84 | 25,337 | 226,695 | 8.9 | 357.8 | 23,809 | 27,626 | 22,869 | 26,797 | 902.59 | 1,057.62 | 6.39 | 7.49 |
| 1984-85 | 25,816 | 229,845 | 8.9 | 397.4 | 26,536 | 31,570 | 25,722 | 30,961 | 996.36 | 1,199.30 | 6.47 | 7.79 |
| 1985-86 | 26,403 | 229,641 | 8.7 | 431.4 | 28,072 | 33,558 | 28,841 | 34,977 | 1,092.34 | 1,324.74 | 6.69 | 8.11 |
| 1986-87 | 27,052 | 232,927 | 8.6 | 463.0 | 32,519 | 37,767 | 31,469 | 38,079 | 1,163.28 | 1,407.62 | 6.80 | 8.22 |
| 1987-88 | 27,717 | 237,761 | 8.6 | 495.3 | 32,534 | 38,773 | 33,021 | 40,452 | 1,191.36 | 1,459.47 | 6.67 | 8.17 |
| 1988-89 | 28,393 | 248,173 | 8.7 | 532.4 | 36,953 | 43,322 | 35,897 | 44,634 | 1,264.29 | 1,572.01 | 6.74 | 8.38 |
| 1989-90 | 29,142 | 254,589 | 8.7 | 573.3 | 38,750 | 46,453 | 39,456 | 48,594 | 1,353.92 | 1,667.49 | 6.88 | 8.48 |
| 1990-91 | 29,976 | 260,622 | 8.7 | 617.7 | 38,214 | 47,024 | 40,264 | 51,446 | 1,343.21 | 1,716.24 | 6.52 | 8.33 |
| 1991-92 | 30,655 | 261,713 | 8.5 | 634.9 | 42,026 | 53,117 | 43,327 | 56,280 | 1,413.37 | 1,835.92 | 6.82 | 8.86 |
| 1992-93 | 31,306 | 260,939 | 8.3 | 667.3 | 40,946 | 52,526 | 40,948 | 56,480 | 1,307.99 | 1,804.13 | 6.14 | 8.46 |
| 1993-94 | 31,746 | 265,035 | 8.3 | 683.0 | 40,095 | 52,384 | 38,958 | 53,083 | 1,227.18 | 1,672.12 | 5.70 | 7.77 |
| 1994-95 | 32,140 | 269,004 | 8.4 | 711.8 | 42,710 | 54,942 | 41,961 | 54,613 | 1,305.57 | 1,699.22 | 5.90 | 7.67 |
| 1995-96 | 32,605 | 274,338 | 8.4 | 755.9 | 44,991 | 57,850 | 44,246 | 57,876 | 1,357.03 | 1,775.07 | 5.85 | 7.66 |
| 1996-97 | 33,165 | 276,316 | 8.3 | 798.6 | 45,571 | 58,852 | 45,242 | 61,531 | 1,364.15 | 1,855.30 | 5.67 | 7.70 |

¹ Population as of July 1, the beginning of the fiscal year.² Includes Special Accounts in General Fund from 1973-74 to 1976-77.³ Expenditures include payments from General Fund, Special Funds and Selected Bond Funds beginning in 1963-64.

SCHEDULE 7
GENERAL FUND
(In Thousands)
STATEMENT OF FUND BALANCE
June 30, 1995

Adjustments to be Included in the Controller's Annual Report

Since the issuance of the Preliminary Annual Report, the State Controller's Office and the Department of Finance have jointly reconciled differences in prior year adjustments, revenues, transfers and expenditures between the Report and various budget documents. At the time the Budget went to press, the State Controller's Office had indicated the following adjustments would be included in the Annual Report.

| | |
|--|------------------|
| FUND BALANCE PER PRELIMINARY REPORT | \$107,663 |
| ADJUSTMENTS (Amounts over \$5 million) | |
| Prior year revenue - Bank and Corp | 8,300 |
| Prior year expenditure - Dept. of Health Services | 78,755 |
| Prior year expenditure - Mandates | -83,380 |
| Revenues - Trial Courts | 53,361 |
| Revenues - Bank and Corp | -240,900 |
| Revenue - Estate taxes | 88,049 |
| Transfers - School Facilities Aid Program | 44,688 |
| Shift of PERS Costs to 1995-96 | 398,622 |
| Mandates adjustment | -126,012 |
| Other | -6,035 |
| TOTAL ADJUSTMENTS | \$215,448 |
| ESTIMATED FUND BALANCE IN CONTROLLER'S FINAL REPORT | \$323,111 |

In addition to the above adjustments to be included in the Controller's Annual Report, the Department of Finance has treated selected transactions different from the Controller. Examples of this are the presentation of the loans and repayment of loans for the deficit elimination plan and the Proposition 98 quarantine tracking. The following summarizes these types of adjustments which have been incorporated by the Department of Finance to arrive at the June 30, 1995 fund balance shown for the General Fund on the General Budget Summary, Schedule 1.

Additional Adjustments

| | |
|--|------------------|
| ESTIMATED FUND BALANCE IN CONTROLLER'S FINAL REPORT | \$323,111 |
| ADJUSTMENTS (Amounts over \$5 million) | |
| Loan for deficit elimination plan | 1,025,000 |
| Revenue adjustments -- PIT | -105,249 |
| Revenue adjustments -- Bank and Corp | -11,903 |
| Revenue adjustment -- Tidelands | 8,130 |
| Transfers -- Forestry cost recovery | -13,979 |
| Prop 98 expenditure per Chapter 308/95 | -560,829 |
| Adjustment for SWCAP | 12,457 |
| Northridge earthquake - cost shift to 1995-96 | 15,337 |
| University of California expenditures -- shift to 1995-96 | 6,302 |
| Other Prop 98 adjustments | -12,611 |
| Other | -3,086 |
| TOTAL ADJUSTMENTS | \$359,569 |
| FUND BALANCE PER GENERAL BUDGET SUMMARY, SCHEDULE 1 | \$682,680 |

SCHEDULE 8
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1994-95, 1995-96, AND 1996-97
(Dollars in Thousands)

| Sources | Actual 1994-95 | | | Estimated 1995-96 | | | Estimated 1996-97 | | |
|--|-------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | General Fund | Special Funds | Total | General Fund | Special Funds | Total | General Fund | Special Funds | Total |
| MAJOR TAXES AND LICENSES | | | | | | | | | |
| Alcoholic Beverage Taxes and Fees | 268,957 | -- | 268,957 | 266,000 | -- | 266,000 | 262,000 | -- | 262,000 |
| Bank and Corporation (Income) Taxes | 5,708,000 | 8,603 | 5,716,603 | 5,680,000 | 1,000 | 5,681,000 | 5,620,000 | 500 | 5,620,500 |
| Cigarette Tax | 174,541 | 500,200 | 674,741 | 166,400 | 477,600 | 644,000 | 162,000 | 468,100 | 630,100 |
| Horse Racing (Parimutuel) License Fees | 71,062 | 37,912 | 108,974 | 68,505 | 37,904 | 106,409 | 67,305 | 37,600 | 104,905 |
| Estate, Inheritance and Gift Tax | 599,000 | -- | 599,000 | 543,000 | -- | 543,000 | 578,000 | -- | 578,000 |
| Insurance Gross Premiums Tax | 998,868 | -- | 998,868 | 1,139,000 | -- | 1,139,000 | 1,120,000 | -- | 1,120,000 |
| Trailer Coach License (In-Lieu) Fees | 34,646 | -- | 34,646 | 35,900 | -- | 35,900 | 36,500 | -- | 36,500 |
| Motor Vehicle License (In-Lieu) Fees | -- | 3,136,153 | 3,136,153 | -- | 3,258,300 | 3,258,300 | -- | 3,397,800 | 3,397,800 |
| Motor Vehicle Fuel Tax (Gasoline) | -- | 2,278,289 | 2,278,289 | -- | 2,447,814 | 2,447,814 | -- | 2,469,745 | 2,469,745 |
| Motor Vehicle Fuel Tax (Diesel) | -- | 341,801 | 341,801 | -- | 360,295 | 360,295 | -- | 378,104 | 378,104 |
| Motor Vehicle Registration | -- | 1,557,077 | 1,557,077 | -- | 1,607,140 | 1,607,140 | -- | 1,628,940 | 1,628,940 |
| Personal Income Tax | 18,500,000 | -- | 18,500,000 | 20,220,000 | -- | 20,220,000 | 20,583,000 | -- | 20,583,000 |
| Retail Sales and Use Tax-Realignment | -- | 1,491,800 | 1,491,800 | -- | 1,593,300 | 1,593,300 | -- | 1,662,300 | 1,662,300 |
| Retail Sales and Use Taxes | 14,629,608 | 162,544 | 14,792,152 | 15,545,000 | 168,517 | 15,713,517 | 16,275,000 | 175,218 | 16,450,218 |
| TOTALS | 40,984,682 | 9,514,379 | 50,499,061 | 43,663,805 | 9,951,870 | 53,615,675 | 44,703,805 | 10,218,307 | 54,922,112 |
| MINOR REVENUES | | | | | | | | | |
| REGULATORY TAXES AND LICENSES | | | | | | | | | |
| General Fish and Game Taxes | -- | 1,743 | 1,743 | -- | 1,724 | 1,724 | -- | 1,528 | 1,528 |
| Energy Resource Surcharge | -- | 41,660 | 41,660 | -- | 42,493 | 42,493 | -- | 43,449 | 43,449 |
| Quarterly Public Util Commission Fees | -- | 75,981 | 75,981 | -- | 62,325 | 62,325 | -- | 61,739 | 61,739 |
| Penalties on Pub Util Comm Qtrly Fees | -- | 5 | 5 | -- | 5 | 5 | -- | 5 | 5 |
| Hwy Carrier Uniform Business License Tax | 6,003 | -- | 6,003 | 6,000 | -- | 6,000 | 6,000 | -- | 6,000 |
| Off-Highway Vehicle Fees | -- | 3,602 | 3,602 | -- | 3,600 | 3,600 | -- | 3,600 | 3,600 |
| Liquor License Fees | -- | 25,027 | 25,027 | -- | 38,511 | 38,511 | -- | 33,041 | 33,041 |
| Genetic Disease Testing Fees | -- | 43,086 | 43,086 | -- | 52,562 | 52,562 | -- | 56,472 | 56,472 |
| Other Regulatory Taxes | 10,295 | 54,076 | 64,371 | 9,778 | 53,682 | 63,460 | 10,388 | 54,558 | 64,946 |
| New Motor Vehicle Dealer License Fee | -- | 1,403 | 1,403 | -- | 1,535 | 1,535 | -- | 1,535 | 1,535 |
| General Fish and Game Lic Tags Permits | -- | 64,520 | 64,520 | -- | 65,674 | 65,674 | -- | 67,845 | 67,845 |
| Elevator and Boiler Inspection Fees | 154 | 10,742 | 10,896 | 154 | 11,041 | 11,195 | 154 | 11,041 | 11,195 |
| Industrial Homework Fees | 10 | -- | 10 | 10 | -- | 10 | 10 | -- | 10 |
| Employment Agency License Fees | 453 | 427 | 880 | 453 | 660 | 1,113 | 453 | 660 | 1,113 |
| Employment Agency Filing Fees | 17 | -- | 17 | 17 | -- | 17 | 17 | -- | 17 |
| Teacher Credential Fees | -- | 9,019 | 9,019 | -- | 9,435 | 9,435 | -- | 9,435 | 9,435 |
| Teacher Examination Fees | -- | 5,704 | 5,704 | -- | 3,331 | 3,331 | -- | 3,553 | 3,553 |
| Insurance Co License Fees & Penalties | -- | 23,318 | 23,318 | -- | 30,911 | 30,911 | -- | 33,185 | 33,185 |
| Insurance Company Examination Fees | -- | 10,893 | 10,893 | -- | 16,623 | 16,623 | -- | 16,853 | 16,853 |
| Other Insurance Department Fees | -- | 25,588 | 25,588 | -- | 35,470 | 35,470 | -- | 26,444 | 26,444 |
| Division of Real Estate Examination Fees | -- | 1,689 | 1,689 | -- | 1,755 | 1,755 | -- | 2,984 | 2,984 |
| Subdivision Filing Fees | -- | 15,275 | 15,275 | -- | 15,329 | 15,329 | -- | 18,135 | 18,135 |
| Div of Real Estate License Fees | -- | 5,092 | 5,092 | -- | 5,212 | 5,212 | -- | 5,365 | 5,365 |
| Building Construction Filing Fees | -- | 1,585 | 1,585 | -- | 1,598 | 1,598 | -- | 1,598 | 1,598 |
| Savings & Loan Fees | -- | 18 | 18 | -- | 5 | 5 | -- | -- | -- |
| Domestic Corporation Fees | -- | 4,945 | 4,945 | -- | 5,729 | 5,729 | -- | 6,231 | 6,231 |
| Foreign Corporation Fees | -- | 2,344 | 2,344 | -- | 2,262 | 2,262 | -- | 1,429 | 1,429 |
| Notary Public License Fees | -- | 678 | 678 | -- | 783 | 783 | -- | 783 | 783 |
| Filing Financing Statements | -- | 1,978 | 1,978 | -- | 5,499 | 5,499 | -- | 8,247 | 8,247 |

COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued

(Dollars in Thousands)

| Sources | Actual 1994-95 | | | Estimated 1995-96 | | | Estimated 1996-97 | | |
|---|----------------|------------------|------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|
| | General Fund | Special Funds | Total | General Fund | Special Funds | Total | General Fund | Special Funds | Total |
| Candidate Filing Fee | 85 | -- | 85 | 861 | -- | 861 | 9 | -- | 9 |
| Beverage Container Redemption Fees | -- | 332,950 | 332,950 | -- | 331,400 | 331,400 | -- | 345,800 | 345,800 |
| Explosive Permit Fees | 3 | -- | 3 | 3 | -- | 3 | 3 | -- | 3 |
| Processing Fees | -- | 21,734 | 21,734 | -- | 17,630 | 17,630 | -- | 14,000 | 14,000 |
| Hazardous Waste Control Fees | -- | 62,165 | 62,165 | -- | 53,261 | 53,261 | -- | 46,812 | 46,812 |
| Other Regulatory Fees | 59,133 | 364,971 | 424,104 | 59,880 | 404,929 | 464,809 | 60,141 | 435,210 | 495,351 |
| Other Regulatory Licenses and Permits | 40,658 | 226,130 | 266,788 | 31,868 | 239,220 | 271,088 | 32,057 | 245,270 | 277,327 |
| Renewal Fees | -- | 119,351 | 119,351 | -- | 120,106 | 120,106 | -- | 123,093 | 123,093 |
| Delinquent Fees | -- | 2,786 | 2,786 | -- | 2,605 | 2,605 | -- | 2,671 | 2,671 |
| Universal Telephone Service Tax | 7,164 | -- | 7,164 | -- | -- | -- | -- | -- | -- |
| Private Rail Car Tax | 8,697 | -- | 8,697 | 5,350 | -- | 5,350 | 5,350 | -- | 5,350 |
| TOTALS | 192,672 | 1,540,485 | 1,693,157 | 114,374 | 1,636,905 | 1,751,279 | 114,582 | 1,682,571 | 1,797,153 |
| REVENUE FROM LOCAL AGENCIES | | | | | | | | | |
| Trial Court Revenues | 291,877 | -- | 291,877 | 297,000 | -- | 297,000 | -- | -- | -- |
| Architecture Public Building Fees | -- | 23,092 | 23,092 | -- | 23,160 | 23,160 | -- | 23,752 | 23,752 |
| Penalties on Traffic Violations | -- | 83,164 | 83,164 | -- | 89,596 | 89,596 | -- | 91,131 | 91,131 |
| Penalties on Felony Convictions | -- | 13,270 | 13,270 | -- | 18,284 | 18,284 | -- | 18,284 | 18,284 |
| Fines-Crimes of Public Offense | -- | 4,012 | 4,012 | -- | 2,958 | 2,958 | -- | 2,958 | 2,958 |
| Fish and Game Violation Fines | -- | 794 | 794 | -- | 769 | 769 | -- | 769 | 769 |
| Penalty Assessments on Fish & Game Fines | -- | 331 | 331 | -- | 441 | 441 | -- | 448 | 448 |
| Interest on Loans to Local Agencies | 61 | 1,294 | 1,355 | 62 | 1,333 | 1,395 | 62 | 1,322 | 1,384 |
| Narcotic Fines | 2,587 | -- | 2,587 | 2,500 | -- | 2,500 | 2,500 | -- | 2,500 |
| Fingerprint ID Card Fees | -- | 24,014 | 24,014 | -- | 27,035 | 27,035 | -- | 26,035 | 26,035 |
| Misc Revenue From Local Agencies | 4,223 | 3,215 | 7,438 | 4,371 | 3,400 | 7,771 | 4,871 | 3,400 | 8,271 |
| Open Space Cancellation Fee Deferrd Taxes | 2,459 | 985 | 3,444 | 2,500 | 985 | 3,485 | 2,500 | 1,015 | 3,515 |
| Rev Local Govt Agencies-Cost Recoveries | 2,812 | -- | 2,812 | 1,984 | 915 | 2,899 | 1,984 | 340 | 2,324 |
| TOTALS | 304,019 | 154,171 | 458,190 | 308,417 | 168,876 | 477,293 | 11,917 | 169,454 | 181,371 |
| SERVICES TO THE PUBLIC | | | | | | | | | |
| Pay Patients Board Charges | 13,475 | -- | 13,475 | 19,185 | -- | 19,185 | 17,650 | -- | 17,650 |
| State Beach and Park Service Fees | -- | 46,451 | 46,451 | -- | 52,800 | 52,800 | -- | 53,300 | 53,300 |
| Parking Lot Revenues | 690 | 5,653 | 6,343 | 690 | 6,102 | 6,792 | 690 | 7,388 | 8,078 |
| Fire Prevention and Suppression | 1,445 | -- | 1,445 | 1,250 | -- | 1,250 | 1,250 | -- | 1,250 |
| Emergency Telephone Users Surcharge | -- | 74,689 | 74,689 | -- | 70,743 | 70,743 | -- | 70,743 | 70,743 |
| Sales of Documents | 452 | 2,354 | 2,806 | 429 | 2,700 | 3,129 | 429 | 2,762 | 3,191 |
| General Fees--Secretary of State | 68 | 7,699 | 7,767 | 43 | 8,024 | 8,067 | 65 | 8,919 | 8,984 |
| Parental Fees | -- | 2,074 | 2,074 | -- | 2,000 | 2,000 | -- | 1,851 | 1,851 |
| Guardianship Fees | 16 | -- | 16 | 20 | -- | 20 | 20 | -- | 20 |
| Miscellaneous Services to the Public | 12,312 | 72,219 | 84,531 | 3,441 | 87,412 | 90,853 | 3,588 | 90,264 | 93,852 |
| Receipts From Health Care Deposit Fund | 8,000 | -- | 8,000 | 8,000 | -- | 8,000 | 8,000 | -- | 8,000 |
| Medicare Receipts Frm Federal Government | 6,091 | -- | 6,091 | 8,530 | -- | 8,530 | 7,830 | -- | 7,830 |
| California State University Fees | -- | 571,719 | 571,719 | -- | 578,334 | 578,334 | -- | 583,390 | 583,390 |
| Personalized License Plates | -- | 31,948 | 31,948 | -- | 33,685 | 33,685 | -- | 33,592 | 33,592 |
| TOTALS | 42,549 | 814,806 | 857,355 | 41,568 | 841,800 | 883,368 | 39,522 | 852,209 | 891,731 |
| USE OF PROPERTY AND MONEY | | | | | | | | | |
| Income From Pooled Money Investments | 291,721 | 1,049 | 292,770 | 240,000 | 879 | 240,879 | 216,000 | 779 | 216,779 |
| Income From Surplus Money Investments | 85,544 | 108,288 | 193,832 | 36,501 | 86,332 | 122,833 | 27,480 | 81,645 | 109,125 |

SCHEDULE 8
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| Sources | Actual 1994-95 | | | Estimated 1995-96 | | | Estimated 1996-97 | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | General Fund | Special Funds | Total | General Fund | Special Funds | Total | General Fund | Special Funds | Total |
| Interest Income From Loans | 3,425 | 1,165 | 4,590 | 3,400 | 1,827 | 5,227 | 3,400 | 3,038 | 6,438 |
| Interest Income From Interfund Loans | -- | 135 | 135 | 217 | 20 | 237 | -- | -- | -- |
| Income From Other Investments | 661 | 519 | 1,180 | 428 | 865 | 1,293 | 428 | 959 | 1,387 |
| Income From Condemnation Deposits Fund | -- | 2,240 | 2,240 | -- | 2,001 | 2,001 | -- | 2,001 | 2,001 |
| Federal Lands Royalties | -- | 24,445 | 24,445 | -- | 17,667 | 17,667 | -- | 20,239 | 20,239 |
| Oil & Gas Lease-1% Revenue City/County | 109 | -- | 109 | 100 | -- | 100 | 90 | -- | 90 |
| Rentals of State Property | 6,183 | 35,752 | 41,935 | 6,616 | 35,765 | 42,381 | 6,678 | 33,861 | 40,539 |
| Misc Revenue Frn Use of Property & Money | 12,655 | 29,090 | 41,745 | 14,001 | 34,014 | 48,015 | 14,001 | 34,906 | 48,907 |
| School Lands Royalties | -- | 76 | 76 | -- | 10 | 10 | -- | 10 | 10 |
| State Lands Royalties | 68,587 | -- | 68,587 | 71,343 | -- | 71,343 | 65,453 | -- | 65,453 |
| TOTALS | 468,885 | 202,759 | 671,644 | 372,606 | 179,380 | 551,986 | 333,530 | 177,438 | 510,968 |
| MISCELLANEOUS | | | | | | | | | |
| Attorney General Proceeds of Anti-Trust | -- | 9,444 | 9,444 | -- | -- | -- | -- | -- | -- |
| Penalties & Interest on UI & DI Contrib | -- | 57,100 | 57,100 | -- | 57,423 | 57,423 | -- | 57,611 | 57,611 |
| Sale of Fixed Assets | 1,284 | 48 | 1,332 | 1,323 | 38 | 1,361 | 42,044 | 38 | 42,082 |
| Sale of Confiscated Property | 2,603 | 76 | 2,679 | 3,628 | 76 | 3,704 | 3,628 | 76 | 3,704 |
| Sale of State's Public Lands | 86 | 142 | 228 | 100 | 20 | 120 | 100 | 420 | 520 |
| Proceeds From Estates of Deceased Person | 85 | -- | 85 | 100 | -- | 100 | 100 | -- | 100 |
| Revenue-Abandoned Property | 222,814 | -- | 222,814 | 165,000 | -- | 165,000 | 165,000 | -- | 165,000 |
| Escheat of Unclaimed Checks & Warrants | 3,481 | 309 | 3,790 | 3,386 | 237 | 3,623 | 3,386 | 237 | 3,623 |
| Subsequent Injuries Revenue | -- | 2,265 | 2,265 | -- | 3,300 | 3,300 | -- | 3,300 | 3,300 |
| Miscellaneous Revenue | 4,503 | 69,141 | 73,644 | 3,902 | 78,537 | 82,439 | 37,104 | 55,132 | 92,236 |
| Penalties & Inrst on Personal Income Tx | -- | 9,933 | 9,933 | -- | 9,900 | 9,900 | -- | 9,900 | 9,900 |
| Other Revenue - Cost Recoveries | 32,478 | 22,809 | 55,287 | -- | 34,586 | 34,586 | -- | 20,465 | 20,465 |
| Uninsured Motorist Fees | -- | 1 | 1 | -- | -- | -- | -- | -- | -- |
| Traffic Violations | -- | 6,535 | 6,535 | -- | 6,535 | 6,535 | -- | 6,535 | 6,535 |
| Parking Violations | 1 | 76 | 77 | 1 | 75 | 76 | 1 | 75 | 76 |
| Penalty Assessments | 20,235 | 49,936 | 70,171 | 20,122 | 52,374 | 72,496 | 20,122 | 53,835 | 73,957 |
| Civil & Criminal Violation Assessment | 178 | 1,704 | 1,882 | 140 | 1,576 | 1,716 | 185 | 1,576 | 1,761 |
| TOTALS | 287,748 | 229,519 | 517,267 | 197,702 | 244,677 | 442,379 | 271,670 | 209,200 | 480,870 |
| TOTALS, MINOR REVENUES | 1,235,873 | 2,961,740 | 4,197,613 | 1,034,687 | 3,071,638 | 4,106,325 | 771,221 | 3,090,872 | 3,862,093 |
| TOTALS, REVENUES | 42,220,555 | 12,476,119 | 54,696,674 | 44,698,492 | 13,023,508 | 57,722,000 | 45,475,026 | 13,309,179 | 58,784,205 |
| TRANSFERS AND LOANS | | | | | | | | | |
| General Fund | -2,727 | 1,710 | -1,017 | -10,931 | 9,854 | -1,077 | -6,007 | 4,930 | -1,077 |
| Attorney General Antitrust Account | 7,105 | -7,105 | -- | -- | -- | -- | -- | -- | -- |
| Guide Dogs for the Blind Fund | -- | -- | -- | 11 | -11 | -- | -- | -- | -- |
| Motor Vehicle Insurance Account, State | -- | -- | -- | -- | -2,200 | -2,200 | -- | -2,200 | -2,200 |
| Surface Mining and Reclamation Account | -- | -- | -- | 579 | -579 | -- | -- | -- | -- |
| Highway Account, State, STF | 150,536 | -150,536 | -- | 77,000 | -77,000 | -- | -- | -- | -- |
| Motor Vehicle Account, STF | 47,400 | -47,400 | -- | 53,795 | -53,795 | -- | -- | -- | -- |
| Sale of Tobacco to Minors Control Act | -- | -444 | -444 | -- | -300 | -300 | -- | -- | -- |
| Alcohol Beverage Control Fund | 5,467 | -5,467 | -- | 6,480 | -6,480 | -- | 6,685 | -6,685 | -- |
| Cal- OSHA Targeted Inspection & Consult | -- | -- | -- | 4,000 | -4,000 | -- | -- | -- | -- |
| Water Device Certification Special Act | 43 | -43 | -- | 43 | -43 | -- | -- | -- | -- |

SCHEDULE 8
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| Sources | Actual 1994-95 | | | Estimated 1995-96 | | | Estimated 1996-97 | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | General Fund | Special Funds | Total | General Fund | Special Funds | Total | General Fund | Special Funds | Total |
| Capital Outlay Fd for Public Higher Educ | -- | -- | -- | 3,232 | -3,232 | -- | -- | -- | -- |
| Unitary Fund, California | 9,024 | -9,024 | -- | 1,000 | -1,000 | -- | 500 | -500 | -- |
| Outer Cont Shelf Land Act Sec 8g Rev Fnd | 15,724 | -15,724 | -- | 36,056 | -36,056 | -- | -- | -- | -- |
| Employment Development Contingent Fund | 30,172 | -30,172 | -- | 26,335 | -26,335 | -- | 26,385 | -26,385 | -- |
| Energy and Resource Fund | 310 | -310 | -- | 325 | -325 | -- | 325 | -325 | -- |
| Fair and Exposition Fund | 372 | -372 | -- | 511 | -511 | -- | -- | -- | -- |
| Satellite Wagering Account | 2,700 | -2,700 | -- | 2,700 | -2,700 | -- | -- | -- | -- |
| Fish and Wildlife Pollution Account | -- | -- | -- | 5,900 | -5,900 | -- | -- | -- | -- |
| Business Fees Fund, Secty of State's | 2,157 | -2,157 | -- | 724 | -724 | -- | 4,906 | -4,906 | -- |
| Mobilehome Park Revolving Fund | 34 | -34 | -- | 52 | -52 | -- | -- | -- | -- |
| Certification Fund | 50 | -50 | -- | -- | -- | -- | -- | -- | -- |
| Major Risk Insurance Fund | -- | -2,134 | -2,134 | -- | -- | -- | -- | -- | -- |
| Athletic Commission Fund | 35 | -35 | -- | 18,737 | -18,737 | -- | 19,634 | -19,634 | -- |
| Disaster Relief Fund | 230 | -230 | -- | -- | -- | -- | -- | -- | -- |
| Hazardous Waste Mgmt Planning Subaccount | 3 | -3 | -- | -- | -- | -- | -- | -- | -- |
| Olympic Training Account, California | -- | -- | -- | 200 | -200 | -- | 100 | -100 | -- |
| Energy Resources Programs Account | 1,150 | -1,150 | -- | 3,549 | -3,549 | -- | -- | -- | -- |
| Hazardous Subst Clearing Account | 7,725 | -7,725 | -- | 7,725 | -7,725 | -- | 6,995 | -6,995 | -- |
| Financial Responsibility Penalty Account | 6,340 | -6,340 | -- | 6,730 | -6,730 | -- | 6,535 | -6,535 | -- |
| Rover's Neurological Examination Account | 181 | -181 | -- | -- | -- | -- | -- | -- | -- |
| Water Resources Development Bond Fund | -- | 26,335 | 26,335 | -- | 27,011 | 27,011 | -- | 25,400 | 25,400 |
| Expo & State Fair Enterprise Fund, Cal | -- | 205 | 205 | -- | 217 | 217 | -- | 228 | 228 |
| Harbors and Watercraft Revolving Fund | 36,422 | 1,500 | 37,922 | 3,718 | -- | 3,718 | -- | -- | -- |
| Service Revolving Fund | -- | 4,400 | 4,400 | -- | -- | -- | -- | -- | -- |
| Disaster Housing Repair Fund, California | -- | -- | -- | 8,000 | -- | 8,000 | -- | -- | -- |
| Health Science Facil Construct Prog Fund | -- | -- | -- | 328 | -- | 328 | -- | -- | -- |
| Beach Park Rec & Hist Facil Fd 1974, St | -- | -- | -- | 878 | -- | 878 | -- | -- | -- |
| Construction Program Fund, State | -- | -- | -- | 931 | -- | 931 | -- | -- | -- |
| School Building Aid Fund, State | 20,187 | -- | 20,187 | 22,636 | -- | 22,636 | 21,736 | -- | 21,736 |
| Clean Water Bond Fund, 1984 State | 558 | -- | 558 | -- | -- | -- | -- | -- | -- |
| Water Conserv Water Quality Bond Fund 1986 | 3,733 | -- | 3,733 | 3,700 | -- | 3,700 | 3,700 | -- | 3,700 |
| Clean Water & Reclamation Fnd, 1988 | 851 | -- | 851 | 850 | -- | 850 | 850 | -- | 850 |
| Displaced Homemaker Emergency Loan Fund | 614 | -- | 614 | -- | -- | -- | -- | -- | -- |
| Self-Help Housing Fund | -- | -- | -- | 300 | -- | 300 | -- | -- | -- |
| Superfund Bond Trust Fund | -- | 9,700 | 9,700 | -- | -- | -- | -- | -- | -- |
| Milk Producers Security Trust Fund | -- | 1,031 | 1,031 | -- | 10,423 | 10,423 | -- | 10,997 | 10,997 |
| Industrial Relations Unpaid Wage Fund | 825 | -- | 825 | 317 | 1,200 | 1,200 | 159 | 1,200 | 1,200 |
| Forest Resources Improvement Fund | 311 | -- | 311 | 1,310 | 84 | 1,394 | 320 | -- | 320 |
| Homeownership Assistance Fund | -- | -- | -- | 1,500 | -- | 1,500 | -- | -- | -- |
| Renewable Resources Investment Fund | -- | -- | -- | -- | -- | -- | -- | 2,042 | 2,042 |
| Special Deposit Fund | 4,197 | -- | 4,197 | 3,091 | 36,700 | 39,791 | 2,115 | -- | 2,115 |
| Student Security Trust Fund | -- | 19 | 19 | -- | -- | -- | -- | -- | -- |
| Voluntary Alliance Uniting Employers Fd | -- | -- | -- | -- | -- | -- | -- | 2,000 | 2,000 |
| Foster Children and Parent Train Fund | 840 | -- | 840 | 201 | -- | 201 | 546 | -- | 546 |
| Toll Bridge Funds, Consolidated | -- | -- | -- | -- | 8,610 | 8,610 | -- | -- | -- |
| TOTALS, TRANSFERS AND LOANS | 352,569 | -244,436 | 108,133 | 292,513 | -164,085 | 128,428 | 95,484 | -27,468 | 68,016 |
| Adjustment to reconcile to State Controller | 136,948 | -- | 136,948 | -- | -- | -- | -- | -- | -- |
| TOTALS, REVENUES AND TRANSFERS | 42,710,072 | 12,231,683 | 54,941,755 | 44,991,005 | 12,859,423 | 57,850,428 | 45,570,510 | 13,281,711 | 58,852,221 |

SCHEDULE 9

**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97
(Dollars in Thousands)**

| | Actual 1994-95 | | | Estimated 1995-96 | | | Estimated 1996-97 | | |
|--|----------------|---------------|----------------|-------------------|---------------|----------------|-------------------|---------------|----------------|
| | General Fund | Special Funds | Budget Total | General Fund | Special Funds | Budget Total | General Fund | Special Funds | Budget Total |
| LEGISLATIVE, JUDICIAL, AND EXECUTIVE | | | | | | | | | |
| Legislative | | | | | | | | | |
| Legislature | | | | | | | | | |
| Senate | | | | | | | | | |
| Assembly | | | | | | | | | |
| State Operations | 51,777 | 489 | 52,266 | -- | -- | 55,724 | -- | -- | 60,182 |
| State Operations | 73,282 | -- | 73,282 | -- | -- | 75,700 | -- | -- | 84,485 |
| Totals, Legislature | 125,059 | 489 | 125,548 | -- | -- | 131,424 | -- | -- | 144,667 |
| Contributions to Legislator Retire Fund | 600 | -- | 600 | -- | -- | 600 | -- | -- | 600 |
| Legislative Counsel Bureau | 53,522 | -- | 53,522 | -- | -- | 55,079 | -- | -- | 54,576 |
| State Operations | 179,181 | 489 | 179,670 | -- | -- | 187,103 | -- | -- | 199,843 |
| Totals, Legislature | 147,893 | 173 | 148,066 | -- | -- | 167,975 | -- | -- | 178,183 |
| Judiciary | | | | | | | | | |
| State Operations | 2,363 | -- | 2,363 | -- | -- | 2,944 | -- | -- | 2,997 |
| Commission on Judicial Performance | 2,246 | -- | 2,246 | -- | -- | 2,439 | -- | -- | 2,439 |
| Contributions to Judges Retirement Fund | 43,715 | -- | 43,715 | -- | -- | 54,831 | -- | -- | 54,831 |
| State Operations | 45,961 | -- | 45,961 | -- | -- | 57,270 | -- | -- | 57,270 |
| Local Assistance | 439,094 | -- | 439,094 | -- | -- | 453,072 | -- | -- | 460,364 |
| Totals, Judiciary | 635,311 | 173 | 635,484 | -- | -- | 681,261 | -- | -- | 698,467 |
| Executive/Governor | | | | | | | | | |
| Governor's Office | 4,764 | -- | 4,764 | -- | -- | 4,767 | -- | -- | 4,767 |
| State Operations | -- | -- | -- | -- | -- | 419 | -- | -- | 837 |
| Department of Information Technology | -- | -- | -- | -- | -- | 419 | -- | -- | 837 |
| State Operations | 2,995 | 454 | 3,449 | 762 | 463 | 3,463 | 3,000 | 457 | 3,457 |
| Office of Planning and Research | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| State Operations | 2,995 | 454 | 3,449 | -- | -- | -- | -- | -- | -- |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Executive/Governor | 2,995 | 454 | 3,449 | 758 | 463 | 3,463 | 3,000 | 457 | 3,457 |
| Office of Planning and Research | | | | | | | | | |
| State Operations | 34,033 | 7,596 | 41,629 | 10,369 | 1,060 | 34,531 | 28,814 | 906 | 29,720 |
| Local Assistance | 34,363 | 18,075 | 52,438 | 993,806 | 30,991 | 84,734 | 86,908 | 1,764 | 88,672 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | 4,227 | -- | 4,227 |
| Totals, Office of Planning and Research | 68,396 | 25,671 | 94,067 | 1,004,175 | 32,051 | 119,265 | 119,949 | 2,670 | 122,619 |
| Office of Emergency Services | | | | | | | | | |
| Northridge Earthquake | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| State Operations | 76,155 | 26,125 | 102,280 | 1,004,933 | 32,514 | 143,251 | 174,518 | 3,127 | 177,645 |
| Totals, Office of Emergency Services | 76,155 | 26,125 | 102,280 | 1,004,933 | 32,514 | 143,251 | 174,518 | 3,127 | 177,645 |
| Totals, Executive/Governor | 76,155 | 26,125 | 102,280 | 1,004,933 | 32,514 | 143,251 | 174,518 | 3,127 | 177,645 |

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | Estimated 1995-96 | | | Estimated 1996-97 | | | |
|--|----------------|---------------|--------------|---------------------|---------------|--------------|-------------------|--------------|---------------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds |
| Executive/Constitutional Offices | | | | | | | | | | |
| Office of the Lieutenant Governor | | | | | | | | | | |
| State Operations | 1,299 | -- | 1,299 | -- | -- | 1,304 | -- | 1,304 | -- | -- |
| Department of Justice | | | | | | | | | | |
| State Operations | 185,929 | 54,727 | 240,656 | -- | 16,386 | 189,119 | 61,647 | 250,766 | 58,774 | 15,377 |
| Local Assistance | 12,302 | 481 | 12,783 | -- | -- | 9,680 | 391 | 10,071 | 341 | -- |
| Totals, Department of Justice | 198,231 | 55,208 | 253,439 | -- | 16,386 | 198,799 | 62,038 | 260,837 | 59,115 | 15,377 |
| State Controller | | | | | | | | | | |
| State Operations | 64,341 | 4,640 | 68,981 | 100 | 1,060 | 61,932 | 4,862 | 66,794 | 4,905 | 2,097 |
| Local Assistance | -- | 559 | 559 | -- | -- | -- | 456 | 456 | -- | -- |
| Totals, State Controller | 64,341 | 5,199 | 69,540 | 100 | 1,060 | 61,932 | 5,318 | 67,250 | 5,361 | 2,097 |
| Department of Insurance | | | | | | | | | | |
| State Operations | -- | 90,428 | 90,428 | -- | -- | -- | 110,210 | 110,210 | 92,950 | -- |
| Local Assistance | -- | 21,563 | 21,563 | -- | -- | -- | 22,212 | 22,212 | 24,253 | -- |
| Totals, Department of Insurance | -- | 111,991 | 111,991 | -- | -- | -- | 132,422 | 132,422 | 117,203 | -- |
| State Board of Equalization | | | | | | | | | | |
| State Operations | 160,830 | 15,154 | 175,984 | -- | 98 | 172,327 | 19,200 | 191,527 | 19,393 | 178 |
| Capital Outlay | -- | -- | -- | -- | -- | 90 | -- | 90 | -- | -- |
| Totals, State Board of Equalization | 160,830 | 15,154 | 175,984 | -- | 98 | 172,417 | 19,200 | 191,617 | 19,393 | 178 |
| Secretary of State | | | | | | | | | | |
| State Operations | 14,356 | 16,742 | 31,098 | -- | -- | 15,226 | 21,330 | 36,556 | 21,265 | -- |
| Local Assistance | 5,210 | -- | 5,210 | -- | -- | 5,981 | -- | 5,981 | 5,272 | -- |
| Totals, Secretary of State | 19,566 | 16,742 | 36,308 | -- | -- | 21,207 | 21,330 | 42,537 | 21,265 | -- |
| State Treasurer | | | | | | | | | | |
| State Operations | 3,450 | -- | 3,450 | -- | -- | 4,935 | -- | 4,935 | -- | -- |
| California Debt Advisory Commission | | | | | | | | | | |
| State Operations | -- | 1,241 | 1,241 | -- | -- | -- | 1,414 | 1,414 | 1,560 | -- |
| California Debt Limit Allocation Commit | | | | | | | | | | |
| State Operations | -- | 295 | 295 | -- | -- | -- | 409 | 409 | 409 | -- |
| Calif Industrial Dev Financing Adv Comm | | | | | | | | | | |
| State Operations | -- | 393 | 393 | -- | -- | -- | 430 | 430 | 430 | -- |
| California Tax Allocation Committee | | | | | | | | | | |
| State Operations | -- | 1,205 | 1,205 | -- | -- | -- | 1,535 | 1,535 | 1,569 | -- |
| Local Assistance | -- | 167 | 167 | -- | -- | -- | 167 | 167 | 167 | -- |
| Totals, California Tax Allocation Committee | -- | 1,372 | 1,372 | -- | -- | -- | 1,702 | 1,702 | 1,736 | -- |
| Totals, Executive/Constitutional Offices | 447,717 | 207,595 | 655,312 | 100 | 17,544 | 460,594 | 244,263 | 704,857 | 226,472 | 17,652 |
| TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE | 1,338,364 | 234,382 | 1,572,746 | 100 | 1,022,477 | 1,439,348 | 277,124 | 1,716,472 | 1,495,740 | 785,422 |
| State Operations | 803,680 | 193,537 | 997,217 | 100 | 28,675 | 861,951 | 222,907 | 1,084,858 | 202,965 | 56,317 |
| Local Assistance | 534,684 | 40,845 | 575,529 | -- | 993,802 | 577,307 | 54,217 | 631,524 | 26,981 | 789,105 |
| Capital Outlay | -- | -- | -- | -- | -- | 90 | -- | 90 | 4,227 | -- |

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | |
|--|----------------|---------------|--------------|---------------------|-------------------|--------------|---------------|--------------|---------------------|---------------|--------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds |
| STATE AND CONSUMER SERVICES | | | | | | | | | | | | |
| Secretary for State and Consumer Service | | | | | | | | | | | | |
| State Operations | 663 | -- | 663 | -- | -- | 1,146 | -- | 1,146 | -- | -- | 727 | -- |
| Museum of Science and Industry | | | | | | | | | | | | |
| State Operations | 5,375 | 2,096 | 7,471 | -- | -- | 5,608 | 1,662 | 7,270 | -- | -- | 5,627 | 1,662 |
| Capital Outlay | -- | -- | -- | 11,909 | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Museum of Science and Industry | 5,375 | 2,096 | 7,471 | 11,909 | -- | 5,608 | 1,662 | 7,270 | -- | -- | 5,627 | 1,662 |
| Dept of Consumer Affairs-Regulatory Bks | | | | | | | | | | | | |
| Board of Accountancy | | | | | | | | | | | | |
| State Operations | -- | 6,737 | 6,737 | -- | -- | -- | 9,649 | 9,649 | -- | -- | -- | 9,326 |
| Board of Architectural Examiners | | | | | | | | | | | | |
| State Operations | -- | 3,133 | 3,133 | -- | -- | -- | 3,841 | 3,841 | -- | -- | -- | 3,730 |
| Athletic Commission | | | | | | | | | | | | |
| State Operations | 851 | 19 | 870 | -- | -- | 674 | 273 | 947 | -- | -- | 674 | 265 |
| Board of Barbering and Cosmetology | | | | | | | | | | | | |
| State Operations | -- | 7,096 | 7,096 | -- | -- | -- | 9,207 | 9,207 | -- | -- | -- | 10,908 |
| Board of Behavioral Science Examiners | | | | | | | | | | | | |
| State Operations | -- | 4,636 | 4,636 | -- | -- | -- | 4,874 | 4,874 | -- | -- | -- | 4,644 |
| Cemetery Board | | | | | | | | | | | | |
| State Operations | -- | 323 | 323 | -- | -- | -- | 200 | 200 | -- | -- | -- | -- |
| Contractors State License Board | | | | | | | | | | | | |
| State Operations | -- | 36,528 | 36,528 | -- | -- | -- | 38,613 | 38,613 | -- | -- | -- | 38,700 |
| Board of Dentistry | | | | | | | | | | | | |
| State Operations | -- | 5,202 | 5,202 | -- | -- | -- | 5,973 | 5,973 | -- | -- | -- | 5,687 |
| Committee on Dental Auxiliaries | | | | | | | | | | | | |
| State Operations | -- | 915 | 915 | -- | -- | -- | 1,051 | 1,051 | -- | -- | -- | 1,121 |
| Board of Funeral Directors and Embalmers | | | | | | | | | | | | |
| State Operations | -- | 668 | 668 | -- | -- | -- | 465 | 465 | -- | -- | -- | -- |
| Bd of Reg for Geologists & Geophysicists | | | | | | | | | | | | |
| State Operations | -- | 584 | 584 | -- | -- | -- | 782 | 782 | -- | -- | -- | 686 |
| Board of Guide Dogs for the Blind | | | | | | | | | | | | |
| State Operations | -- | 43 | 43 | -- | -- | -- | 51 | 51 | -- | -- | -- | 62 |
| Board of Landscape Architects | | | | | | | | | | | | |
| State Operations | -- | 448 | 448 | -- | -- | -- | 498 | 498 | -- | -- | -- | 584 |
| Medical Board of California | | | | | | | | | | | | |
| State Operations | -- | 31,196 | 31,196 | -- | -- | -- | 33,147 | 33,147 | -- | -- | -- | 32,997 |
| Acupuncture Examining Committee | | | | | | | | | | | | |
| State Operations | -- | 905 | 905 | -- | -- | -- | 1,143 | 1,143 | -- | -- | -- | 1,235 |
| Hearing Aid Dispensers Examining Commit | | | | | | | | | | | | |
| State Operations | -- | 461 | 461 | -- | -- | -- | 441 | 441 | -- | -- | -- | 638 |
| Physical Therapy Examining Committee | | | | | | | | | | | | |
| State Operations | -- | 919 | 919 | -- | -- | -- | 1,168 | 1,168 | -- | -- | -- | 1,555 |
| Physicians Assistant Examining Committee | | | | | | | | | | | | |
| State Operations | -- | 639 | 639 | -- | -- | -- | 734 | 734 | -- | -- | -- | 750 |
| Podiatric Medicine, Board of | | | | | | | | | | | | |
| State Operations | -- | 785 | 785 | -- | -- | -- | 865 | 865 | -- | -- | -- | 984 |

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | |
|---|----------------|---------------|--------------|---------------------|-------------------|--------------|---------------|--------------|---------------------|---------------|--------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds |
| Psychology, Board of | | | | | | | | | | | | |
| State Operations | -- | 2,535 | 2,535 | -- | -- | -- | 2,775 | 2,775 | -- | -- | -- | 2,775 |
| Respiratory Care Examining Committee | -- | 1,486 | 1,486 | -- | -- | -- | 1,646 | 1,646 | -- | -- | -- | 2,147 |
| Speech-Language Pathology & Audiology Exam | -- | 264 | 264 | -- | -- | -- | 319 | 319 | -- | -- | -- | 348 |
| Board of Examiners of Nursing Home Admin | -- | 506 | 506 | -- | -- | -- | 473 | 473 | -- | -- | -- | 501 |
| Board of Optometry | -- | 791 | 791 | -- | -- | -- | 1,012 | 1,012 | -- | -- | -- | 1,020 |
| Board of Pharmacy | -- | 4,646 | 4,646 | -- | -- | -- | 4,966 | 4,966 | -- | -- | -- | 5,018 |
| 8d of Reg for Prof Engineer & Land Survey | -- | 5,669 | 5,669 | -- | -- | -- | 6,066 | 6,066 | -- | -- | -- | 6,464 |
| Board of Registered Nursing | -- | 10,771 | 10,771 | -- | -- | -- | 13,177 | 13,177 | -- | -- | -- | 12,328 |
| Court Reporters Board of California | -- | 818 | 818 | -- | -- | -- | 845 | 845 | -- | -- | -- | 554 |
| State Operations | -- | 2,681 | 2,681 | -- | -- | -- | 3,159 | 3,159 | -- | -- | -- | 3,343 |
| Structural Pest Control Board | -- | 933 | 933 | -- | -- | -- | 1,111 | 1,111 | -- | -- | -- | 1,207 |
| Veterinary Medical Board | -- | 86 | 86 | -- | -- | -- | 95 | 95 | -- | -- | -- | 97 |
| Registered Veterinary Techn Exam Comm | -- | 3,521 | 3,521 | -- | -- | -- | 3,614 | 3,614 | -- | -- | -- | 3,202 |
| Board of Vocational Nurse Program | -- | 1,040 | 1,040 | -- | -- | -- | 1,104 | 1,104 | -- | -- | -- | 898 |
| Bd of Psychiatric Technician Program | 851 | 136,984 | 137,835 | -- | -- | 674 | 153,337 | 154,011 | -- | -- | 674 | 153,774 |
| State Operations | -- | 91,165 | 91,165 | -- | -- | -- | 103,502 | 103,502 | -- | -- | -- | 105,388 |
| Capital Outlay | -- | 2,103 | 2,103 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Dept of Consumer Affairs-Regulatory Bd | -- | 93,268 | 93,268 | -- | -- | -- | 103,502 | 103,502 | -- | -- | -- | 105,388 |
| Dept of Consumer Affairs-Bureaus, Prog Div | 10,198 | -- | 10,198 | -- | 3,952 | 12,699 | -- | 12,699 | -- | 4,076 | 12,743 | -- |
| State Operations | 666 | -- | 666 | -- | -- | 775 | -- | 775 | -- | -- | 775 | -- |
| Fair Employment and Housing Commission | 2,888 | 4,448 | 7,336 | -- | 318 | 2,738 | 5,986 | 8,724 | -- | 207 | -- | -- |
| Office of the State Fire Marshal | 277,985 | 6,380 | 284,365 | -- | -- | 317,127 | 8,386 | 325,513 | -- | -- | 321,646 | 8,047 |
| Franchise Tax Board | 3,079 | -- | 3,079 | -- | -- | 3,173 | -- | 3,173 | -- | -- | 3,166 | -- |
| State Operations | 1,244 | -- | 1,244 | -- | -- | 327 | -- | 327 | -- | -- | -- | -- |
| Local Assistance | 282,308 | 6,380 | 288,688 | -- | -- | 320,627 | 8,386 | 329,013 | -- | -- | 324,812 | 8,047 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Franchise Tax Board | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Department of General Services | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | |
|--|----------------|----------------|----------------|---------------------|-------------------|----------------|----------------|----------------|---------------------|---------------|----------------|----------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds |
| State Operations | 11,133 | 49,402 | 60,535 | 805 | 3 | 11,092 | 48,684 | 59,776 | 3,257 | 30 | 11,227 | 54,829 |
| Local Assistance | -- | 62,373 | 62,373 | 9,049 | -- | -- | 64,958 | 64,958 | 36,429 | -- | -- | 64,958 |
| Capital Outlay | 2,075 | -- | 2,075 | -- | -- | 1,158 | -- | 1,158 | 26,378 | -- | -- | -- |
| Totals, Department of General Services | 13,208 | 111,775 | 124,983 | 9,854 | 3 | 12,250 | 113,642 | 125,892 | 66,064 | 30 | 11,227 | 119,787 |
| State Personnel Board | 6,701 | -- | 6,701 | -- | -- | 5,355 | -- | 5,355 | -- | -- | 5,361 | -- |
| TOTALS, STATE AND CONSUMER SERVICES | 322,858 | 354,951 | 677,809 | 21,763 | 4,273 | 361,872 | 386,515 | 748,387 | 66,064 | 4,313 | 361,946 | 388,658 |
| State Operations | 316,460 | 290,475 | 606,935 | 805 | 4,273 | 337,214 | 321,557 | 678,771 | 3,257 | 4,313 | 350,780 | 323,700 |
| Local Assistance | 3,079 | 62,373 | 65,452 | 9,049 | -- | 3,173 | 64,958 | 68,131 | 36,429 | -- | 3,166 | 68,480 |
| Capital Outlay | 3,319 | 2,103 | 5,422 | 11,909 | -- | 1,485 | -- | 1,485 | 26,378 | -- | -- | 68,124 |
| BUSINESS, TRANSPORTATION, AND HOUSING | | | | | | | | | | | | |
| Business and Housing | | | | | | | | | | | | |
| Sec for Business,Transport and Housing | -- | 656 | 656 | -- | -- | -- | 826 | 826 | -- | -- | -- | 826 |
| State Operations | -- | 25,614 | 25,614 | -- | -- | -- | 28,907 | 28,907 | -- | -- | -- | 28,907 |
| Dept of Alcoholic Beverage Control | -- | 2,397 | 2,397 | -- | -- | -- | 1,500 | 1,500 | -- | -- | -- | -- |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Dept of Alcoholic Beverage Control | -- | 28,011 | 28,011 | -- | -- | -- | 30,407 | 30,407 | -- | -- | -- | 28,592 |
| Alcoholic Beverage Control Appeals 8d | -- | 486 | 486 | -- | -- | -- | 534 | 534 | -- | -- | -- | 533 |
| State Operations | -- | 16,322 | 16,322 | -- | -- | -- | 16,687 | 16,687 | -- | -- | -- | 15,910 |
| State Banking Department | -- | 28,064 | 28,329 | -- | -- | -- | 33,075 | 33,075 | -- | -- | -- | 34,074 |
| Dept of Corporations | 265 | 3,966 | 8,359 | 4,439 | 3,391 | 4,462 | 4,134 | 8,596 | 3,768 | 4,809 | 4,498 | 4,197 |
| State Operations | 4,393 | -- | 7,169 | 4,842 | 72,413 | 5,604 | -- | 5,604 | 7,660 | 103,527 | 5,326 | -- |
| Local Assistance | 7,169 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Dept of Housing & Community Development | 11,562 | 3,966 | 15,528 | 9,281 | 75,804 | 10,066 | 4,134 | 14,200 | 11,428 | 108,336 | 9,824 | 4,197 |
| Office of Real Estate Appraisers | -- | 3,061 | 3,061 | -- | -- | -- | 3,787 | 3,787 | -- | -- | -- | 3,767 |
| State Operations | -- | 24,621 | 24,621 | -- | -- | -- | 26,097 | 26,097 | -- | -- | -- | 25,666 |
| Dept of Real Estate | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| State Operations | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Office of Savings and Loan | -- | 281 | 281 | -- | -- | -- | 457 | 457 | -- | -- | -- | 441 |
| State Operations | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Business and Housing | 11,827 | 105,468 | 117,295 | 9,281 | 75,804 | 10,066 | 116,004 | 126,070 | 11,428 | 108,336 | 9,824 | 114,006 |
| Transportation | | | | | | | | | | | | |
| California Transportation Commission | -- | 1,141 | 1,141 | 878 | -- | -- | 1,369 | 1,369 | 898 | -- | -- | 1,415 |
| State Operations | -- | -- | -- | 202,985 | -- | -- | -- | -- | 160,000 | -- | -- | -- |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California Transportation Commission | -- | 1,141 | 1,141 | 203,863 | -- | -- | 1,369 | 1,369 | 160,898 | -- | -- | 1,415 |

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | Estimated 1995-96 | | | Estimated 1996-97 | | | | | | |
|---|----------------|---------------|--------------|-------------------|---------------|--------------|---------------------|---------------|--------------|---------------|--------------|---------------------|---------------|
| | General Fund | Special Funds | Budget Total | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds |
| Special Transportation Programs | | | | | | | | | | | | | |
| Local Assistance | -- | 61,650 | 61,650 | -- | 71,000 | 71,000 | -- | -- | -- | 76,100 | 76,100 | -- | -- |
| Dept of Transportation | | | | | | | | | | | | | |
| State Operations | -- | 1,368,252 | 1,368,252 | -- | 1,448,415 | 1,448,415 | -- | 274,265 | -- | 1,398,337 | 1,398,337 | -- | 260,964 |
| Local Assistance | | | | | | | | | | | | | |
| Aeronautics Program | -- | 4,985 | 4,985 | -- | 7,522 | 7,522 | -- | -- | -- | 6,230 | 6,230 | -- | -- |
| Highway Transportation Program | -- | 251,277 | 251,277 | -- | 282,490 | 282,490 | -- | 449,825 | -- | 224,000 | 224,000 | -- | 517,000 |
| Mass Transportation Program | -- | 49,760 | 49,760 | -- | 92,158 | 92,158 | 586 | 25,000 | -- | 65,249 | 65,249 | -- | 84,000 |
| Transportation Program | -- | 4,321 | 4,321 | -- | -- | -- | -- | 21,000 | -- | -- | -- | -- | 21,000 |
| State-Mandated Local Programs | 21 | -- | 21 | 108 | -- | 108 | -- | -- | -- | -- | -- | -- | -- |
| Totals, Local Assistance | 21 | 310,343 | 310,364 | 108 | 382,170 | 382,278 | 586 | 495,825 | -- | 295,479 | 295,479 | -- | 622,000 |
| Capital Outlay | -- | 274,457 | 274,457 | -- | 476,910 | 476,910 | 95 | 1,374,458 | -- | 757,956 | 757,956 | -- | 1,235,669 |
| Totals, Dept of Transportation | 21 | 1,953,052 | 1,953,073 | 108 | 2,307,495 | 2,307,603 | 681 | 2,144,548 | -- | 2,451,772 | 2,451,772 | -- | 2,118,633 |
| Office of Traffic Safety | | | | | | | | | | | | | |
| State Operations | -- | 302 | 302 | -- | 331 | 331 | -- | 14,490 | -- | 334 | 334 | -- | 14,490 |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | 10,682 | -- | -- | -- | -- | 10,682 |
| Totals, Office of Traffic Safety | -- | 302 | 302 | -- | 331 | 331 | -- | 25,172 | -- | 334 | 334 | -- | 25,172 |
| Dept of the California Highway Patrol | | | | | | | | | | | | | |
| State Operations | -- | 651,886 | 651,886 | -- | 703,001 | 703,001 | -- | 4,480 | -- | 733,702 | 733,702 | -- | 4,127 |
| Local Assistance | 114 | -- | 114 | 200 | -- | 200 | -- | -- | -- | -- | -- | -- | -- |
| Capital Outlay | -- | 6,721 | 6,721 | -- | 17,141 | 17,141 | -- | -- | -- | 10,000 | 10,000 | -- | -- |
| Totals, Dept of the California Highway Patrol | 114 | 658,607 | 658,721 | 200 | 720,142 | 720,342 | -- | 4,480 | -- | 743,702 | 743,702 | -- | 4,127 |
| Department of Motor Vehicles | | | | | | | | | | | | | |
| State Operations | 60 | 481,081 | 481,141 | 60 | 502,954 | 503,014 | -- | 36 | 60 | 513,062 | 513,122 | -- | 96 |
| Capital Outlay | -- | 843 | 843 | -- | 8,692 | 8,692 | -- | -- | -- | 9,483 | 9,483 | -- | -- |
| Totals, Department of Motor Vehicles | 60 | 481,924 | 481,984 | 60 | 511,646 | 511,706 | -- | 36 | 60 | 522,545 | 522,605 | -- | 96 |
| Totals, Transportation | 195 | 3,156,676 | 3,156,871 | 368 | 3,611,983 | 3,612,351 | 161,579 | 2,174,236 | 60 | 3,795,868 | 3,795,928 | 180,898 | 2,148,028 |
| Statewide Distributed Costs | | | | | | | | | | | | | |
| General Obligation Bonds-87&H | | | | | | | | | | | | | |
| State Operations | 244,005 | -- | 244,005 | 263,405 | -- | 263,405 | -- | -- | 296,246 | -- | 296,246 | -- | -- |
| Totals, Statewide Distributed Costs | 244,005 | -- | 244,005 | 263,405 | -- | 263,405 | -- | -- | 296,246 | -- | 296,246 | -- | -- |
| TOTALS, BUSINESS, TRANSPORTATION, AND HOUSING | 256,027 | 3,262,144 | 3,518,171 | 273,839 | 3,727,987 | 4,001,826 | 173,007 | 2,282,572 | 306,130 | 3,909,874 | 4,216,004 | 184,127 | 2,261,113 |
| State Operations | 248,723 | 2,605,733 | 2,854,456 | 267,927 | 2,770,574 | 3,038,501 | 4,666 | 298,080 | 300,804 | 2,760,856 | 3,061,660 | 4,127 | 284,451 |
| Local Assistance | 7,304 | 374,390 | 381,694 | 5,912 | 454,670 | 460,582 | 168,246 | 610,034 | 5,326 | 371,579 | 376,905 | 180,000 | 740,993 |
| Capital Outlay | -- | 282,021 | 282,021 | -- | 502,743 | 502,743 | 95 | 1,374,458 | -- | 777,439 | 777,439 | -- | 1,235,669 |

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | |
|---|----------------|---------------|---------------|---------------------|-------------------|---------------|---------------|---------------|---------------------|---------------|---------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds |
| TRADE AND COMMERCE AGENCY | | | | | | | | | | | | |
| Trade and Commerce Agency | | | | | | | | | | | | |
| State Operations | 28,755 | 2,155 | 30,910 | -- | 892 | 29,541 | 1,813 | 31,354 | -- | 1,773 | 29,648 | 1,541 |
| Local Assistance | 7,935 | 10,686 | 18,621 | -- | 6,809 | 8,210 | 13,244 | 21,454 | -- | 8,987 | 9,960 | 8,261 |
| Totals, Trade and Commerce Agency | 36,690 | 12,841 | 49,531 | -- | 7,701 | 37,751 | 15,057 | 52,808 | -- | 10,760 | 39,608 | 9,802 |
| TOTALS, TRADE AND COMMERCE AGENCY | 36,690 | 12,841 | 49,531 | -- | 7,701 | 37,751 | 15,057 | 52,808 | -- | 10,760 | 39,608 | 9,802 |
| State Operations | 28,755 | 2,155 | 30,910 | -- | 892 | 29,541 | 1,813 | 31,354 | -- | 1,773 | 29,648 | 1,541 |
| Local Assistance | 7,935 | 10,686 | 18,621 | -- | 6,809 | 8,210 | 13,244 | 21,454 | -- | 8,987 | 9,960 | 8,261 |
| RESOURCES | | | | | | | | | | | | |
| Secretary for Resources | | | | | | | | | | | | |
| State Operations | 990 | 1,004 | 1,994 | -- | 74 | 1,280 | 545 | 1,825 | -- | 85 | 1,281 | 1,368 |
| Special Resources Program | | | | | | | | | | | | |
| State Operations | 354 | 106 | 460 | -- | -- | 319 | 102 | 421 | -- | -- | 319 | 104 |
| Local Assistance | 819 | 582 | 1,401 | -- | -- | 735 | 799 | 1,534 | -- | -- | 735 | 773 |
| Totals, Special Resources Program | 1,173 | 688 | 1,861 | -- | -- | 1,054 | 901 | 1,955 | -- | -- | 1,054 | 877 |
| California Tahoe Conservancy | | | | | | | | | | | | |
| State Operations | 779 | 340 | 1,119 | 901 | -- | 1,103 | 17 | 1,120 | 922 | -- | 1,339 | 17 |
| Local Assistance | -- | 3,029 | 3,029 | -- | 325 | 3,017 | -- | 3,017 | -- | -- | 2,000 | -- |
| Capital Outlay | -- | 2,705 | 2,705 | -- | 40 | 8,864 | 1,450 | 10,314 | -- | -- | 2,500 | 483 |
| Totals, California Tahoe Conservancy | 779 | 6,074 | 6,853 | 901 | 365 | 12,984 | 1,467 | 14,451 | 922 | -- | 5,839 | 500 |
| California Conservations Corps | | | | | | | | | | | | |
| State Operations | 30,212 | 5,841 | 36,053 | -- | 728 | 27,810 | 5,907 | 33,717 | -- | 2,799 | 28,353 | 5,907 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 380 | -- |
| Totals, California Conservations Corps | 30,212 | 5,841 | 36,053 | -- | 728 | 27,810 | 5,907 | 33,717 | -- | 2,799 | 28,353 | 5,907 |
| Totals, California Conservation Corps | 30,212 | 5,841 | 36,053 | -- | 728 | 27,810 | 5,907 | 33,717 | -- | 2,799 | 28,353 | 5,907 |
| Energy Resources Conservation & Dev Com | | | | | | | | | | | | |
| State Operations | -- | 35,529 | 35,529 | -- | 34,424 | -- | 39,618 | 39,618 | -- | 26,140 | -- | 35,327 |
| Local Assistance | -- | 147 | 147 | -- | -- | -- | 5,847 | 5,847 | -- | -- | -- | 3,046 |
| Totals, Energy Resources Conservation & Dev Co | -- | 35,676 | 35,676 | -- | 34,424 | -- | 45,465 | 45,465 | -- | 26,140 | -- | 38,373 |
| Renewable Resources Investment Program | | | | | | | | | | | | |
| State Operations | -- | 2,524 | 2,524 | -- | -- | -- | 2,003 | 2,003 | -- | -- | -- | 2,003 |
| Colorado River Board of California | | | | | | | | | | | | |
| State Operations | 190 | 11 | 201 | -- | -- | 208 | 14 | 222 | -- | -- | 208 | 15 |
| Department of Conservation | | | | | | | | | | | | |
| State Operations | 14,519 | 339,759 | 354,278 | -- | 1,902 | 14,795 | 373,472 | 388,267 | -- | 1,869 | 14,925 | 391,936 |
| Local Assistance | -- | 1 | 1 | -- | -- | 30 | 3 | 33 | -- | -- | -- | 120 |
| Totals, Department of Conservation | 14,519 | 339,760 | 354,279 | -- | 1,902 | 14,825 | 373,475 | 388,300 | -- | 1,869 | 14,925 | 392,056 |
| Department of Forestry and Fire Protect | | | | | | | | | | | | |
| State Operations | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Department of Forestry and Fire Protect | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | |
|--|----------------|---------------|--------------|---------------------|-------------------|--------------|---------------|--------------|---------------------|---------------|--------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds |
| State Operations | 310,146 | 5,842 | 315,988 | 37 | 17,447 | 277,387 | 4,501 | 281,888 | 38 | 6,255 | 280,419 | 10,448 |
| Local Assistance | -- | -- | -- | 520 | 2,072 | -- | -- | -- | 633 | 2,072 | -- | -- |
| Capital Outlay | -- | -- | -- | 199 | -- | 12,266 | -- | 12,266 | 376 | -- | 16,743 | -- |
| Totals, Department of Forestry and Fire Protec | 310,146 | 5,842 | 315,988 | 756 | 19,519 | 289,653 | 4,501 | 294,154 | 1,047 | 8,327 | 297,162 | 10,448 |
| State Lands Commission | 8,921 | 5,441 | 14,362 | -- | -- | 9,663 | 4,920 | 14,583 | -- | -- | 9,563 | 4,865 |
| Seismic Safety Commission | 639 | -- | 639 | 175 | -- | 649 | -- | 649 | 566 | -- | 649 | -- |
| Department of Fish and Game | 3,143 | 109,406 | 112,549 | -- | 23,776 | 3,113 | 110,132 | 113,245 | -- | 28,288 | 3,113 | 111,645 |
| State Operations | -- | 409 | 409 | -- | -- | -- | 60 | 60 | -- | -- | -- | 840 |
| Local Assistance | -- | 2,096 | 2,096 | 1 | -- | -- | 3,220 | 3,220 | 324 | 120 | 55 | -- |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Department of Fish and Game | 3,143 | 111,911 | 115,054 | 1 | 23,776 | 3,113 | 113,412 | 116,525 | 324 | 28,408 | 3,168 | 112,485 |
| Wildlife Conservation Board | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| State Operations | -- | 4,888 | 4,888 | 197 | -- | -- | 5,476 | 5,476 | 3,100 | -- | -- | 6,623 |
| Local Assistance | -- | -- | -- | -- | -- | -- | 5,800 | 5,800 | -- | -- | -- | 2,260 |
| Capital Outlay | -- | 9,111 | 9,111 | 7,876 | -- | -- | 15,438 | 15,438 | 19,439 | 1,280 | -- | 11,766 |
| Totals, Wildlife Conservation Board | -- | 13,999 | 13,999 | 8,073 | -- | -- | 26,714 | 26,714 | 22,539 | 1,280 | -- | 20,649 |
| Dept of Boating & Waterways | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| State Operations | -- | -- | -- | -- | 2,784 | -- | -- | -- | -- | 2,474 | -- | -- |
| Local Assistance | -- | 25,295 | 25,295 | -- | 1,873 | 3,718 | -- | 3,718 | -- | 1,360 | -- | -- |
| Unclassified | -- | -- | -- | -- | -- | -- | 25,295 | 25,295 | -- | -- | -- | 24,893 |
| Totals, Dept of Boating & Waterways | -- | 25,295 | 25,295 | -- | 4,657 | 3,718 | 25,295 | 29,013 | -- | 3,834 | -- | 24,893 |
| California Coastal Commission | 4,730 | 2,045 | 6,775 | -- | 2,968 | 5,613 | 1,223 | 6,836 | -- | 3,952 | 5,613 | 1,290 |
| State Operations | 6 | -- | 6 | -- | -- | 169 | -- | 169 | -- | -- | -- | -- |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California Coastal Commission | 4,736 | 2,045 | 6,781 | -- | 2,968 | 5,782 | 1,223 | 7,005 | -- | 3,952 | 5,613 | 1,290 |
| State Coastal Conservancy | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| State Operations | -- | 868 | 868 | 1,085 | 100 | -- | -- | -- | 1,753 | 88 | -- | -- |
| Local Assistance | -- | 523 | 523 | 908 | -- | -- | -- | -- | -- | -- | -- | -- |
| Capital Outlay | -- | -- | -- | 538 | 50 | 1,171 | 11,749 | 12,920 | 3,644 | 1,267 | -- | 4,000 |
| Totals, State Coastal Conservancy | -- | 1,391 | 1,391 | 2,531 | 150 | 1,171 | 11,749 | 12,920 | 5,397 | 1,355 | -- | 4,000 |
| Dept of Parks and Recreation | 51,170 | 106,710 | 157,880 | 3,438 | 1,928 | 50,352 | 120,524 | 170,876 | 4,176 | 2,554 | 65,750 | 105,402 |
| State Operations | -- | 19,962 | 19,962 | 3,700 | 7,076 | -- | 15,158 | 15,158 | 15,042 | 9,034 | -- | 18,417 |
| Local Assistance | -- | 3,269 | 3,269 | 8,441 | 272 | 1,434 | 13,556 | 14,810 | 26,735 | 1,333 | 5,481 | 12,037 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Dept of Parks and Recreation | 51,170 | 129,941 | 181,111 | 15,579 | 9,276 | 51,806 | 149,038 | 200,844 | 45,953 | 12,921 | 71,231 | 135,856 |
| Santa Monica Mountains Conservancy | 150 | -- | 150 | -- | -- | 96 | -- | 96 | -- | -- | 96 | -- |
| State Operations | -- | 9,949 | 9,949 | -- | -- | -- | 1,057 | 1,057 | -- | -- | -- | -- |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Santa Monica Mountains Conservancy | 150 | 9,949 | 10,099 | -- | -- | 96 | 1,057 | 1,153 | -- | -- | 96 | -- |

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION, AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | Estimated 1995-96 | | | Estimated 1996-97 | | |
|---|----------------|---------------|--------------|-------------------|---------------|--------------|-------------------|---------------|--------------|
| | General Fund | Special Funds | Budget Total | General Fund | Special Funds | Budget Total | General Fund | Special Funds | Budget Total |
| San Francisco Bay Conservancy & Develop Com | | | | | | | | | |
| State Operations | 1,365 | 417 | 1,782 | 1,624 | 150 | 1,774 | 1,624 | 210 | 1,834 |
| San Joaquin River Conservancy | -- | -- | -- | -- | -- | -- | -- | 93 | 93 |
| State Operations | -- | -- | -- | -- | -- | -- | -- | 40 | 40 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, San Joaquin River Conservancy | -- | -- | -- | -- | -- | -- | -- | 133 | 133 |
| Delta Protection Commission | -- | 200 | 200 | -- | 220 | 220 | -- | 115 | 115 |
| State Operations | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Coachella Valley Mountains Conservancy | -- | -- | -- | -- | -- | -- | -- | 98 | 98 |
| State Operations | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Department of Water Resources | 15,432 | 9,260 | 24,692 | 16,316 | 10,418 | 26,734 | 16,175 | 16,361 | 32,536 |
| State Operations | -- | 19,439 | 19,439 | -- | 16,382 | 16,382 | -- | 13,981 | 13,981 |
| Local Assistance | 2,229 | 2,066 | 4,295 | 9,066 | 1,579 | 10,645 | 6,400 | -- | 6,400 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Department of Water Resources | 17,661 | 30,765 | 48,426 | 25,382 | 28,379 | 53,761 | 22,575 | 30,342 | 52,917 |
| General Obligation Bonds-Resources | | | | | | | | | |
| State Operations | 288,939 | -- | 288,939 | 349,889 | -- | 349,889 | 241,086 | -- | 241,086 |
| TOTALS, RESOURCES | 734,733 | 728,774 | 1,463,507 | 800,707 | 796,435 | 1,597,142 | 704,807 | 786,483 | 1,491,290 |
| State Operations | 731,679 | 629,323 | 1,361,002 | 760,217 | 679,242 | 1,439,459 | 670,513 | 693,827 | 1,364,340 |
| Local Assistance | 825 | 44,437 | 45,262 | 7,669 | 44,049 | 51,718 | 2,735 | 39,437 | 42,172 |
| Capital Outlay | 2,229 | 29,719 | 31,948 | 32,821 | 47,849 | 80,670 | 31,559 | 20,326 | 51,885 |
| Unclassified | -- | 25,295 | 25,295 | -- | 25,295 | 25,295 | -- | 24,893 | 24,893 |
| CALIF ENVIRONMENTAL PROTECTION AGENCY | | | | | | | | | |
| Secretary for Environmental Protection | | | | | | | | | |
| State Operations | -- | 724 | 724 | -- | 755 | 755 | -- | 890 | 890 |
| State Air Resources Board | | | | | | | | | |
| State Operations | -- | 89,293 | 89,293 | -- | 95,894 | 95,894 | -- | 87,558 | 87,558 |
| Local Assistance | -- | 7,511 | 7,511 | -- | 7,511 | 7,511 | -- | 7,511 | 7,511 |
| Totals, State Air Resources Board | -- | 96,804 | 96,804 | -- | 103,405 | 103,405 | -- | 95,069 | 95,069 |
| Calif Integrated Waste Management Board | | | | | | | | | |
| State Operations | -- | 52,046 | 52,046 | -- | 54,454 | 54,454 | -- | 55,397 | 55,397 |
| Local Assistance | -- | 11,830 | 11,830 | -- | 20,176 | 20,176 | -- | 18,478 | 18,478 |
| Totals, Calif Integrated Waste Management Board | -- | 63,876 | 63,876 | -- | 74,630 | 74,630 | -- | 73,875 | 73,875 |
| Department of Pesticide Regulation | | | | | | | | | |
| State Operations | 8,788 | 23,417 | 32,205 | 8,382 | 25,843 | 34,225 | 8,388 | 24,849 | 33,237 |
| Local Assistance | 2,448 | 9,283 | 11,731 | 2,449 | 8,686 | 11,135 | 2,449 | 8,686 | 11,135 |
| Totals, Department of Pesticide Regulation | 11,236 | 32,700 | 43,936 | 10,831 | 34,529 | 45,360 | 10,837 | 33,535 | 44,372 |
| State Water Resources Control Board | | | | | | | | | |
| State Operations | 28,921 | 154,053 | 182,974 | 28,428 | 178,016 | 206,444 | 28,428 | 187,458 | 215,886 |
| Totals, State Water Resources Control Board | 28,921 | 154,053 | 182,974 | 28,428 | 178,016 | 206,444 | 28,428 | 187,458 | 215,886 |

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | |
|--|----------------|----------------|----------------|---------------------|-------------------|----------------|----------------|----------------|---------------------|---------------|----------------|----------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds |
| Local Assistance | -- | -- | -- | 51,194 | 103,486 | -- | -- | -- | 34,100 | -- | -- | 34,100 |
| Totals, State Water Resources Control Board | 28,921 | 154,053 | 182,974 | 55,412 | 134,327 | 28,428 | 178,016 | 206,444 | 39,910 | 37,152 | 28,428 | 187,458 |
| Department of Toxic Substances Control | | | | | | | | | | | | |
| State Operations | 1,569 | 82,072 | 83,641 | 3,040 | 25,392 | 846 | 81,743 | 83,589 | -- | 33,532 | 32,180 | 79,747 |
| Off of Environmental Health Hazard Asmt | | | | | | | | | | | | |
| State Operations | 3,866 | 1,545 | 5,411 | -- | -- | 4,099 | 1,471 | 5,570 | -- | -- | 4,100 | 942 |
| General Obligation Bonds-Environmental | | | | | | | | | | | | |
| State Operations | 34,748 | -- | 34,748 | -- | -- | 62,647 | -- | 62,647 | -- | -- | 30,825 | -- |
| TOTALS, CALIF ENVIRONMENTAL PROTECTION AGENCY | 80,340 | 431,774 | 512,114 | 58,452 | 169,506 | 106,851 | 474,549 | 581,400 | 39,910 | 81,725 | 106,370 | 471,516 |
| State Operations | 77,892 | 403,150 | 481,042 | 7,258 | 66,020 | 104,402 | 438,176 | 542,578 | 5,810 | 81,371 | 103,921 | 436,841 |
| Local Assistance | 2,448 | 28,624 | 31,072 | 51,194 | 103,486 | 2,449 | 36,373 | 38,822 | 34,100 | 354 | 2,449 | 34,675 |
| HEALTH AND WELFARE | | | | | | | | | | | | |
| Secretary for Health and Welfare | 1,271 | -- | 1,271 | -- | -- | 1,291 | -- | 1,291 | -- | -- | 1,290 | -- |
| State Operations | | | | | | | | | | | | |
| State Council Developmental Disabilities | -- | -- | -- | -- | 6,063 | -- | -- | -- | -- | 6,610 | -- | -- |
| State Operations | | | | | | | | | | | | |
| Emergency Medical Services Authority | 1,090 | 597 | 1,687 | -- | 782 | 1,110 | 755 | 1,865 | -- | 1,018 | 1,110 | 659 |
| State Operations | 2,431 | -- | 2,431 | -- | 2,835 | 2,435 | -- | 2,435 | -- | 2,396 | 2,435 | -- |
| Local Assistance | | | | | | | | | | | | |
| Totals, Emergency Medical Services Authority | 3,521 | 597 | 4,118 | -- | 3,617 | 3,545 | 755 | 4,300 | -- | 3,414 | 3,545 | 659 |
| Health and Welfare Agency Data Center | | | | | | | | | | | | |
| State Operations | -- | -- | -- | -- | -- | 662 | -- | 662 | -- | -- | -- | -- |
| Office Statewide Health Planning-Develop | | | | | | | | | | | | |
| State Operations | 880 | 30,707 | 31,587 | -- | 295 | 833 | 28,192 | 29,025 | -- | 281 | 833 | 29,411 |
| State Operations | 3,561 | -- | 3,561 | -- | 300 | 3,024 | -- | 3,024 | -- | 1,000 | 2,945 | -- |
| Local Assistance | | | | | | | | | | | | |
| Totals, Office Statewide Health Planning-Develop | 4,441 | 30,707 | 35,148 | -- | 595 | 3,857 | 28,192 | 32,049 | -- | 1,281 | 3,778 | 29,411 |
| Department of Aging | | | | | | | | | | | | |
| State Operations | 3,537 | -- | 3,537 | -- | 4,460 | 3,621 | -- | 3,621 | -- | 4,417 | 3,620 | -- |
| State Operations | 28,956 | -- | 28,956 | -- | 97,363 | 28,981 | -- | 28,981 | -- | 92,028 | 28,948 | -- |
| Local Assistance | | | | | | | | | | | | |
| Totals, Department of Aging | 32,493 | -- | 32,493 | -- | 101,823 | 32,602 | -- | 32,602 | -- | 96,445 | 32,568 | -- |
| Commission on Aging | | | | | | | | | | | | |
| State Operations | -- | -- | -- | -- | 292 | -- | -- | -- | -- | 321 | -- | -- |
| Dept of Alcohol and Drug Programs | | | | | | | | | | | | |
| State Operations | 3,141 | 632 | 3,773 | -- | 15,398 | 4,284 | 566 | 4,850 | -- | 17,357 | 4,284 | 526 |
| Local Assistance | 78,354 | -- | 78,354 | -- | 194,219 | 78,367 | -- | 78,367 | -- | 192,808 | 90,905 | -- |
| Totals, Dept of Alcohol and Drug Programs | 81,495 | 632 | 82,127 | -- | 209,617 | 82,651 | 566 | 83,217 | -- | 210,165 | 95,189 | 526 |
| Child Development Prgms Advisory Commit | | | | | | | | | | | | |
| State Operations | 237 | -- | 237 | -- | -- | 239 | -- | 239 | -- | -- | 239 | -- |

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | |
|--|----------------|---------------|--------------|---------------------|-------------------|--------------|---------------|--------------|---------------------|---------------|--------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds |
| Dept of Health Services | | | | | | | | | | | | |
| State Operations | 155,471 | 95,616 | 251,087 | -- | 231,213 | 152,168 | 132,600 | 284,768 | -- | 260,425 | 154,710 | 138,952 |
| Local Assistance | | | | | | | | | | | | |
| Medical Assistance Program | 6,036,754 | 3,583 | 6,040,337 | -- | 8,863,994 | 6,074,185 | 3,246 | 6,077,431 | -- | 8,852,061 | 6,247,272 | 3,246 |
| Public Health Services | 297,901 | 243,920 | 541,821 | -- | 583,806 | 320,972 | 246,314 | 567,286 | -- | 710,106 | 317,610 | 290,422 |
| Totals, Local Assistance | 6,334,655 | 247,503 | 6,582,158 | -- | 9,447,800 | 6,395,157 | 249,560 | 6,644,717 | -- | 9,562,167 | 6,564,882 | 293,668 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 2,989 | -- |
| Totals, Dept of Health Services | 6,490,126 | 343,119 | 6,833,245 | -- | 9,679,013 | 6,347,325 | 382,160 | 6,929,485 | -- | 9,822,592 | 6,722,581 | 432,620 |
| California Medical Assistance Commissio | | | | | | | | | | | | |
| State Operations | 849 | -- | 849 | -- | -- | 1,165 | -- | 1,165 | -- | -- | 1,171 | -- |
| Managed Risk Medical Insurance Board | | | | | | | | | | | | |
| State Operations | -- | 1,292 | 1,292 | -- | -- | -- | 1,409 | 1,409 | -- | -- | -- | 1,414 |
| Local Assistance | -- | 81,521 | 81,521 | -- | -- | -- | 97,291 | 97,291 | -- | -- | -- | 92,378 |
| Totals, Managed Risk Medical Insurance Board | -- | 82,813 | 82,813 | -- | -- | -- | 98,700 | 98,700 | -- | -- | -- | 93,792 |
| Department of Developmental Services | | | | | | | | | | | | |
| State Operations | 55,015 | 229 | 55,244 | -- | 2,891 | 55,695 | 233 | 55,928 | -- | 2,592 | 53,559 | 233 |
| Local Assistance | 539,521 | 2,141 | 541,662 | -- | 31,172 | 410,813 | 1,926 | 412,739 | -- | 34,121 | 461,166 | 1,926 |
| Capital Outlay | 2,937 | -- | 2,937 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Department of Developmental Services | 597,473 | 2,370 | 599,843 | -- | 34,063 | 466,508 | 2,159 | 468,667 | -- | 36,713 | 514,725 | 2,159 |
| Department of Mental Health | | | | | | | | | | | | |
| State Operations | 191,804 | -- | 191,804 | -- | 2,670 | 244,916 | -- | 244,916 | -- | 3,272 | 275,437 | -- |
| Local Assistance | 171,748 | 500 | 172,248 | -- | 63,037 | 190,531 | 500 | 191,031 | -- | 38,651 | 199,251 | 500 |
| Capital Outlay | -- | -- | -- | -- | -- | 148 | -- | 148 | -- | -- | 17,972 | -- |
| Totals, Department of Mental Health | 363,552 | 500 | 364,052 | -- | 65,707 | 435,595 | 500 | 436,095 | -- | 41,923 | 492,660 | 500 |
| Department of Community Services & Deve | | | | | | | | | | | | |
| State Operations | -- | -- | -- | -- | 9,112 | -- | -- | -- | -- | 11,782 | 630 | -- |
| Local Assistance | -- | -- | -- | -- | 116,683 | -- | -- | -- | -- | 143,719 | 6,370 | -- |
| Totals, Department of Community Services & Dev | -- | -- | -- | -- | 125,795 | -- | -- | -- | -- | 155,501 | 7,000 | -- |
| Employment Development Dept | | | | | | | | | | | | |
| State Operations | 23,993 | 39,365 | 63,358 | -- | 711,870 | 23,485 | 43,489 | 66,974 | -- | 729,453 | 23,485 | 45,037 |
| Local Assistance | -- | -- | -- | -- | 3,756,082 | -- | -- | -- | -- | 3,650,073 | -- | -- |
| Capital Outlay | -- | -- | -- | -- | 4,910 | -- | 83 | 83 | -- | 3,747 | -- | -- |
| Totals, Employment Development Dept | 23,993 | 39,365 | 63,358 | -- | 4,472,862 | 23,485 | 43,572 | 67,057 | -- | 4,363,273 | 23,485 | 45,037 |
| Dept of Rehabilitation | | | | | | | | | | | | |
| State Operations | 41,543 | -- | 41,543 | -- | 226,000 | 40,000 | -- | 40,000 | -- | 216,872 | 39,098 | -- |
| Local Assistance | 69,657 | -- | 69,657 | -- | 4,147 | 70,911 | -- | 70,911 | -- | 7,462 | 75,384 | -- |
| Capital Outlay | 35 | -- | 35 | -- | 68 | 174 | -- | 174 | -- | 336 | -- | -- |
| Totals, Dept of Rehabilitation | 111,235 | -- | 111,235 | -- | 230,215 | 111,085 | -- | 111,085 | -- | 224,670 | 114,482 | -- |
| Dept of Social Services | | | | | | | | | | | | |
| State Operations | 100,440 | 615 | 101,055 | -- | 263,257 | 88,926 | 956 | 89,882 | -- | 264,230 | 75,517 | 1,831 |
| Totals, Dept of Social Services | | | | | | | | | | | | |
| State Operations | | | | | | | | | | | | |
| Totals, Dept of Social Services | | | | | | | | | | | | |
| State Operations | | | | | | | | | | | | |
| Totals, Dept of Social Services | | | | | | | | | | | | |

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued (Dollars in Thousands)

| | Actual 1994-95 | | | Estimated 1995-96 | | | Estimated 1996-97 | | |
|---|----------------|---------------|--------------|-------------------|---------------|--------------|-------------------|---------------|--------------|
| | General Fund | Special Funds | Budget Total | General Fund | Special Funds | Budget Total | General Fund | Special Funds | Budget Total |
| Local Assistance | | | | | | | | | |
| AFDC | 2,814,883 | -- | 2,814,883 | 2,935,678 | -- | 2,935,678 | 2,073,013 | -- | 2,073,013 |
| Foster Care | 272,373 | -- | 272,373 | 450,519 | -- | 450,519 | 332,541 | -- | 332,541 |
| SSI/SSP | 2,017,714 | -- | 2,017,714 | 1,952,572 | -- | 1,952,572 | 1,577,846 | -- | 1,577,846 |
| Refugee Cash Assistance | -- | -- | -- | 17,526 | -- | 17,526 | -- | -- | -- |
| County Administration | 423,255 | -- | 423,255 | 988,524 | -- | 988,524 | 496,903 | -- | 496,903 |
| Community Care Licensing | 3,355 | -- | 3,355 | 6,269 | -- | 6,269 | 5,484 | -- | 5,484 |
| Employment Services | 84,528 | -- | 84,528 | 152,677 | -- | 152,677 | 87,793 | -- | 87,793 |
| Child Welfare Services | 178,049 | -- | 178,049 | 467,075 | -- | 467,075 | 354,648 | -- | 354,648 |
| Special Programs | 17,793 | -- | 17,793 | 39,524 | -- | 39,524 | 18,943 | -- | 18,943 |
| Other Programs | 332,311 | -- | 332,311 | 302,055 | -- | 302,055 | 502,030 | -- | 502,030 |
| Totals, Local Assistance | 6,144,261 | -- | 6,144,261 | 5,359,847 | -- | 5,359,847 | 5,449,201 | -- | 5,449,201 |
| Totals, Dept of Social Services | 6,244,701 | 615 | 6,245,316 | 5,623,104 | 956 | 5,624,060 | 5,524,718 | 1,831 | 5,526,549 |
| State-Local Realignment | | | | | | | | | |
| Local Assistance | -- | 2,263,701 | 2,263,701 | -- | -- | 2,395,061 | -- | 2,497,806 | 2,497,806 |
| General Obligation Bonds-H&W | | | | | | | | | |
| State Operations | 4,605 | -- | 4,605 | -- | -- | 4,439 | 4,268 | -- | 4,268 |
| TOTALS, HEALTH AND WELFARE | 13,959,992 | 2,764,419 | 16,724,411 | 20,552,766 | 2,952,621 | 22,505,387 | 13,541,699 | 3,104,341 | 16,646,040 |
| State Operations | 583,876 | 169,053 | 752,929 | 1,474,303 | 208,200 | 1,682,503 | 639,251 | 218,063 | 857,314 |
| Local Assistance | 13,373,144 | 2,595,366 | 15,968,510 | 19,073,465 | 2,744,338 | 21,817,803 | 12,901,447 | 2,886,278 | 15,787,725 |
| Capital Outlay | 2,972 | -- | 2,972 | 4,978 | 83 | 5,061 | 20,961 | -- | 20,961 |
| YOUTH AND ADULT CORRECTIONAL AGENCY | | | | | | | | | |
| Sec for Youth and Adult Corrections | | | | | | | | | |
| State Operations | 836 | -- | 836 | -- | -- | 1,080 | 1,080 | -- | 1,080 |
| Dept of Corrections | | | | | | | | | |
| State Operations | 2,871,832 | -- | 2,871,832 | 34,920 | -- | 3,229,232 | 3,578,588 | -- | 3,578,588 |
| Local Assistance | | | | | | | | | |
| Transportation of Prisoners | 152 | -- | 152 | -- | -- | 410 | 410 | -- | 410 |
| Returning Fugitives | 1,480 | -- | 1,480 | -- | -- | 2,432 | 2,432 | -- | 2,432 |
| Court Costs and County Charges | 7,600 | -- | 7,600 | -- | -- | 6,597 | 6,597 | -- | 6,597 |
| Asst to Counties for Detentin of Parolees | 21,170 | -- | 21,170 | -- | -- | 14,697 | 14,697 | -- | 14,697 |
| Totals, Local Assistance | 30,402 | -- | 30,402 | -- | -- | 24,136 | 24,136 | -- | 24,136 |
| Capital Outlay | -- | -- | -- | 36,458 | -- | 8,929 | 11,208 | -- | 11,208 |
| Totals, Dept of Corrections | 2,902,234 | -- | 2,902,234 | 71,378 | -- | 3,262,297 | 3,613,932 | -- | 3,613,932 |
| Board of Corrections | | | | | | | | | |
| State Operations | 407 | 1,785 | 2,192 | 1,447 | 2,129 | 4,832 | 764 | 2,129 | 2,893 |
| Local Assistance | 3,716 | 7,970 | 11,686 | 38,348 | 8,000 | 11,206 | 1,800 | 9,500 | 11,300 |
| Totals, Board of Corrections | 4,123 | 9,755 | 13,878 | 39,795 | 10,129 | 16,038 | 2,564 | 11,629 | 14,193 |
| Board of Prison Terms | | | | | | | | | |
| State Operations | -- | -- | -- | -- | -- | 30,703 | -- | -- | 30,703 |
| Local Assistance | -- | -- | -- | -- | -- | 46,532 | -- | -- | 46,532 |
| Totals, Board of Prison Terms | -- | -- | -- | -- | -- | 77,235 | -- | -- | 77,235 |

SCHEDULE 9

**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued**
(Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | |
|---|----------------|---------------|--------------|---------------------|-------------------|--------------|---------------|--------------|---------------------|---------------|--------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds |
| State Operations | 4,593 | -- | 4,593 | -- | -- | 10,891 | -- | 10,891 | -- | -- | 11,789 | -- |
| Youthful Offender Parole Board | | | | | | | | | | | | |
| State Operations | 3,139 | -- | 3,139 | -- | -- | 3,028 | -- | 3,028 | -- | -- | 3,179 | -- |
| Dept of Youth Authority | | | | | | | | | | | | |
| State Operations | 340,533 | -- | 340,533 | 2,201 | 1,718 | 353,954 | -- | 353,954 | 927 | 1,880 | 331,583 | 371 |
| Local Assistance | | | | | | | | | | | | |
| Transportation of Wards | 42 | -- | 42 | -- | -- | 92 | -- | 92 | -- | -- | 92 | -- |
| Gang Risk Intervention Pilot Program | 1,900 | -- | 1,900 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Asst to Counties for Detenn of Parolees | 2,446 | -- | 2,446 | -- | -- | 2,827 | -- | 2,827 | -- | -- | 2,827 | -- |
| State-Mandated Local Programs | 139 | -- | 139 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Regional Youth Education Centers | -- | -- | -- | 14,929 | -- | -- | -- | -- | 10,000 | -- | -- | 7,172 |
| County Correction Facil (Juvenile Facil) | -- | -- | -- | 9 | -- | -- | -- | -- | 1,013 | -- | -- | -- |
| Yg Men as Fathers Preventing/Mentor Prog | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| County Assist for Protect Serv & Prog | 14,400 | -- | 14,400 | -- | -- | -- | -- | -- | -- | -- | 2,702 | -- |
| Assistance for Juvenile Camps/Ranches | -- | -- | -- | -- | -- | 32,700 | -- | 32,700 | -- | -- | 32,700 | -- |
| Totals, Local Assistance | 18,927 | -- | 18,927 | 14,938 | -- | 35,619 | -- | 35,619 | 11,013 | -- | 38,321 | 7,172 |
| Capital Outlay | -- | -- | -- | 8,356 | -- | -- | -- | -- | 5,695 | -- | 3,500 | 27,748 |
| Totals, Dept of Youth Authority | 359,460 | -- | 359,460 | 25,495 | 1,718 | 389,573 | -- | 389,573 | 17,635 | 1,880 | 373,404 | 35,291 |
| Federal Immigration Funding-Incarceratin | | | | | | | | | | | | |
| State Operations | 33,000 | -- | 33,000 | -- | 33,000 | 277,500 | -- | 277,500 | -- | 277,500 | 323,950 | -- |
| General Obligation Bonds-YAC | | | | | | | | | | | | |
| State Operations | 383,371 | -- | 383,371 | -- | -- | 348,009 | -- | 348,009 | -- | -- | 402,034 | -- |
| TOTALS, YOUTH AND ADULT CORRECTIONAL AGENCY | 3,624,756 | 9,755 | 3,634,511 | 136,668 | 34,756 | 3,743,287 | 10,129 | 3,753,416 | 102,136 | 288,442 | 4,004,032 | 11,629 |
| State Operations | 3,571,711 | 1,785 | 3,573,496 | 38,568 | 34,756 | 3,671,397 | 2,129 | 3,673,526 | 18,327 | 288,442 | 4,005,067 | 2,129 |
| Local Assistance | 53,045 | 7,970 | 61,015 | 53,286 | -- | 62,961 | 8,000 | 70,961 | 47,411 | -- | 64,257 | 9,500 |
| Capital Outlay | -- | -- | -- | 44,814 | -- | 8,929 | -- | 8,929 | 36,398 | -- | 14,708 | -- |
| EDUCATION | | | | | | | | | | | | |
| K thru 12 Education | | | | | | | | | | | | |
| Sec fr Child Dev & Education, K-12 | | | | | | | | | | | | |
| State Operations | 2,020 | -- | 2,020 | -- | 931 | 2,075 | -- | 2,075 | -- | 1,272 | 2,075 | -- |
| Local Assistance | -- | -- | -- | -- | 12,133 | 5,000 | -- | 5,000 | -- | 16,200 | -- | -- |
| Totals, Sec fr Child Dev & Education, K-12 | 2,020 | -- | 2,020 | -- | 13,064 | 7,075 | -- | 7,075 | -- | 17,472 | 2,075 | -- |
| Department of Education | | | | | | | | | | | | |
| State Operations | 74,447 | 2,920 | 77,367 | -- | 67,465 | 78,876 | 3,021 | 81,897 | -- | 74,667 | 84,680 | 3,038 |
| Local Assistance | | | | | | | | | | | | |
| Adult Education | 2,121 | -- | 2,121 | -- | 31,392 | 441,582 | -- | 441,582 | -- | 25,681 | 440,974 | -- |
| Appointments - County Offices | 114,341 | -- | 114,341 | -- | 7,398 | 156,066 | -- | 156,066 | -- | 175 | 193,714 | -- |
| Appointments - District | 8,690,140 | 12,076 | 8,702,216 | -- | -- | 10,031,257 | 7,721 | 10,038,978 | -- | 10,668,641 | 9,899 | -- |
| Child Development | 18,536 | -- | 18,536 | -- | 121,753 | 492,764 | -- | 492,764 | -- | 133,768 | 530,817 | -- |

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued (Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | |
|---|----------------|---------------|--------------|---------------------|-------------------|--------------|---------------|--------------|---------------------|---------------|--------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds |
| Child Nutrition | 10,717 | -- | 10,717 | -- | 903,943 | 11,686 | -- | 11,686 | -- | 941,176 | 11,686 | -- |
| Consolidated Categorical Programs | 3,130,562 | 800 | 3,131,362 | -- | 19,507 | 2,143,191 | 800 | 2,143,991 | -- | 19,231 | 2,038,183 | 800 |
| Drugs and Tobacco Use Prevention Ed | -- | 18,438 | 18,438 | -- | 32,685 | -- | 16,528 | 16,528 | -- | 31,313 | -- | 16,528 |
| Emergency Apportionment Loan Repayment | 50,000 | -- | 50,000 | -- | -- | 100,000 | -- | 100,000 | -- | 150,000 | -- | -- |
| Health Start | 19,000 | -- | 19,000 | -- | -- | 39,000 | -- | 39,000 | -- | 49,000 | -- | -- |
| Indian Education | 1,126 | -- | 1,126 | -- | -- | 476 | -- | 476 | -- | 376 | -- | -- |
| Long Beach Desegregation | 63,700 | -- | 63,700 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Pupil Assessment | -- | -- | -- | -- | -- | 26,000 | -- | 26,000 | -- | 494 | -- | -- |
| Special Education | 1,627,832 | -- | 1,627,832 | -- | 244,718 | 1,727,822 | -- | 1,727,822 | -- | 255,375 | 1,888,362 | -- |
| Specialized Instruct & School Improvement | 8,149 | -- | 8,149 | -- | 870,188 | 17,164 | -- | 17,164 | -- | 876,411 | 51,050 | -- |
| State-Mandated Local Programs | 168,807 | -- | 168,807 | -- | -- | 127,809 | -- | 127,809 | -- | 118,966 | -- | -- |
| Vocational Education | 9,272 | -- | 9,272 | -- | 119,971 | 7,891 | -- | 7,891 | -- | 107,502 | 7,891 | -- |
| Totals, Local Assistance | 13,914,303 | 31,314 | 13,945,617 | -- | 2,351,555 | 15,322,708 | 25,049 | 15,347,757 | -- | 2,390,632 | 16,140,154 | 27,227 |
| Totals, Department of Education | 13,988,750 | 34,234 | 14,022,984 | -- | 2,419,020 | 15,401,584 | 28,070 | 15,429,654 | -- | 2,465,299 | 16,224,834 | 30,265 |
| State Library | 13,539 | 389 | 13,928 | 205 | 2,914 | 13,955 | 617 | 14,572 | 207 | 2,851 | 15,487 | 617 |
| Local Assistance | 22,308 | -- | 22,308 | -- | 13,418 | 22,308 | -- | 22,308 | -- | 11,901 | 22,308 | -- |
| Totals, State Library | 35,847 | 389 | 36,236 | 205 | 16,332 | 36,263 | 617 | 36,880 | 207 | 14,752 | 37,795 | 617 |
| Calif State Summer School for the Arts | 631 | -- | 631 | -- | -- | 637 | -- | 637 | -- | -- | 637 | -- |
| Contributions to Teachers Retire Fund | 825,183 | -- | 825,183 | -- | -- | 847,383 | -- | 847,383 | -- | -- | 876,875 | -- |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Retirement Costs for Community Colleges | -71,791 | -- | -71,791 | -- | -- | -73,684 | -- | -73,684 | -- | -- | -76,209 | -- |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Calif State Council on Vocational Educ | 94 | -- | 94 | -- | 222 | 95 | -- | 95 | -- | 232 | 95 | -- |
| State Operations | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Calif Occupational Info Coord Committee | -- | -- | -- | -- | 197 | -- | -- | -- | -- | 283 | -- | -- |
| School Facilities Aid Program | 46,427 | -11,564 | 34,863 | 61,716 | 73 | 48,480 | -10,738 | 37,742 | 99,063 | 100 | -10,592 | -10,592 |
| Local Assistance | 60 | 15,594 | 15,654 | -- | -- | 60 | 15,557 | 15,617 | -- | 125 | 60 | 15,240 |
| Commission on Teacher Credentialing | 4,065 | -- | 4,065 | -- | -- | 4,165 | -- | 4,165 | -- | -- | 5,678 | -- |
| State Operations | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Commission on Teacher Credentialing | 4,125 | 15,594 | 19,719 | -- | -- | 4,225 | 15,557 | 19,782 | -- | 125 | 5,738 | 15,240 |
| General Obligation Bonds-K-12 | 701,668 | -- | 701,668 | -- | -- | 729,539 | -- | 729,539 | -- | -- | 748,131 | -- |
| State Operations | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, K thru 12 Education | 15,532,954 | 38,653 | 15,571,607 | 61,921 | 2,448,908 | 17,001,597 | 33,506 | 17,035,103 | 99,270 | 2,498,263 | 17,819,971 | 35,530 |
| Higher Education-Community Colleges | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 8d of Governors of Calif Comm Colleges | 8,963 | -- | 8,963 | 892 | 217 | 8,952 | -- | 8,952 | 903 | 181 | 8,952 | -- |
| Local Assistance | 1,019,120 | 2,131 | 1,021,251 | -- | -- | 1,183,492 | 1,363 | 1,184,855 | -- | -- | 1,287,457 | 1,747 |
| Apportionments for Community Colleges | 84 | 29 | 113 | -- | -- | -- | 22 | 22 | -- | -- | -- | -- |
| Earthquake carryover (non-Prop 98) | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, K thru 12 Education | 15,532,954 | 38,653 | 15,571,607 | 61,921 | 2,448,908 | 17,001,597 | 33,506 | 17,035,103 | 99,270 | 2,498,263 | 17,819,971 | 35,530 |
| Higher Education-Community Colleges | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 8d of Governors of Calif Comm Colleges | 8,963 | -- | 8,963 | 892 | 217 | 8,952 | -- | 8,952 | 903 | 181 | 8,952 | -- |
| Local Assistance | 1,019,120 | 2,131 | 1,021,251 | -- | -- | 1,183,492 | 1,363 | 1,184,855 | -- | -- | 1,287,457 | 1,747 |
| Apportionments for Community Colleges | 84 | 29 | 113 | -- | -- | -- | 22 | 22 | -- | -- | -- | -- |
| Earthquake carryover (non-Prop 98) | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | |
|--|----------------|---------------|--------------|---------------------|-------------------|--------------|---------------|--------------|---------------------|---------------|--------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds |
| Extended Opportunity Program | 43,424 | -- | 43,424 | -- | -- | 45,355 | -- | 45,355 | -- | -- | 45,355 | -- |
| Student Financial Aid Administration | 5,236 | -- | 5,236 | -- | -- | 6,532 | -- | 6,532 | -- | -- | 6,813 | -- |
| Disabled Students | 36,095 | -- | 36,095 | -- | -- | 37,625 | -- | 37,625 | -- | -- | 37,625 | -- |
| Matriculation | 43,138 | -- | 43,138 | -- | -- | 44,967 | -- | 44,967 | -- | -- | 44,967 | -- |
| Support for Academic Senate | 452 | -- | 452 | -- | -- | 452 | -- | 452 | -- | -- | 452 | -- |
| Faculty and Staff Diversity | 1,893 | -- | 1,893 | -- | -- | 1,859 | -- | 1,859 | -- | -- | 1,859 | -- |
| Faculty and Staff Development | 5,233 | -- | 5,233 | -- | -- | 5,233 | -- | 5,233 | -- | -- | 5,233 | -- |
| Instructional Improvement | 736 | -- | 736 | -- | -- | 736 | -- | 736 | -- | -- | 736 | -- |
| Economic Development | 6,973 | -- | 6,973 | -- | 1,044 | 9,073 | -- | 9,073 | -- | 1,771 | 9,073 | -- |
| Transfer Education and Articulation | 1,843 | -- | 1,843 | -- | -- | 2,088 | -- | 2,088 | -- | -- | 1,843 | -- |
| Underrep. Students/Vocational Training | 220 | -- | 220 | -- | 220 | 220 | -- | 220 | -- | 220 | 220 | -- |
| Deferred Maintenance | 8,700 | -- | 8,700 | -- | -- | 26,200 | -- | 26,200 | -- | -- | 8,700 | -- |
| Hazardous Substances | 8,000 | -- | 8,000 | -- | -- | 8,000 | -- | 8,000 | -- | -- | 8,000 | -- |
| Foster Parent Training Programs | 337 | -- | 337 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Instructional Equipment | 2,400 | -- | 2,400 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| State-Mandated Local Programs | 1,446 | -- | 1,446 | -- | -- | 1,603 | -- | 1,603 | -- | -- | 1,603 | -- |
| Totals, Local Assistance | 1,185,330 | 2,160 | 1,187,490 | 4,927 | 1,044 | 1,373,435 | 1,385 | 1,374,820 | -- | 1,771 | 1,459,936 | 1,747 |
| Capital Outlay | -- | -- | -- | 18,318 | -- | -- | -- | -- | 43,293 | -- | -- | -- |
| Totals, Bd of Governors of Calif Comm Colleges | 1,194,293 | 2,160 | 1,196,453 | 24,137 | 1,261 | 1,382,387 | 1,385 | 1,383,772 | 44,196 | 1,952 | 1,468,888 | 1,747 |
| General Obligation Bonds-HI Ed-CC | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| State Operations | 56,954 | -- | 56,954 | -- | -- | 53,463 | -- | 53,463 | -- | -- | 65,303 | -- |
| Retirement Costs-HI Ed-CC | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Local Assistance | 71,791 | -- | 71,791 | -- | -- | 73,684 | -- | 73,684 | -- | -- | 76,209 | -- |
| Totals, Higher Education-Community Colleges | 1,323,038 | 2,160 | 1,325,198 | 24,137 | 1,261 | 1,509,534 | 1,385 | 1,510,919 | 44,196 | 1,952 | 1,610,400 | 1,747 |
| Higher Education-UC, CSU and Other | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Cal Postsecondary Education Commission | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| State Operations | 2,402 | -- | 2,402 | -- | 613 | 2,445 | -- | 2,445 | -- | 612 | 2,560 | -- |
| Local Assistance | 238 | -- | 238 | -- | 6,210 | 119 | -- | 119 | -- | 4,570 | 119 | -- |
| Totals, Cal Postsecondary Education Commission | 2,640 | -- | 2,640 | -- | 6,823 | 2,564 | -- | 2,564 | -- | 5,182 | 2,679 | -- |
| University of California | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| State Operations | 1,825,402 | 19,312 | 1,844,714 | -- | 3,417,504 | 1,917,744 | 19,662 | 1,937,406 | -- | 3,437,956 | 2,041,821 | 19,662 |
| Capital Outlay | -- | -- | -- | 1,102 | -- | -- | -- | -- | 11,003 | -- | -- | -- |
| Totals, University of California | 1,825,402 | 19,312 | 1,844,714 | 1,102 | 3,417,504 | 1,917,744 | 19,662 | 1,937,406 | 11,003 | 3,437,956 | 2,041,821 | 19,662 |
| Hastings College of Law | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| State Operations | 11,804 | -- | 11,804 | -- | -- | 12,012 | -- | 12,012 | -- | -- | 12,287 | -- |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Hastings College of Law | 11,804 | -- | 11,804 | -- | -- | 12,012 | -- | 12,012 | -- | -- | 12,287 | -- |
| California State University | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| State Operations | 1,578,130 | 570,357 | 2,148,487 | 5,291 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 9,957 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | 39,928 | -- | -- | -- | -- | 25,048 | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, California State University | 1,578,130 | 570,357 | 2,148,487 | 45,219 | 268,624 | 1,673,790 | 581,529 | 2,255,319 | 35,005 | 268,150 | 1,769,250 | 583,390 |

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | Estimated 1995-96 | | | Estimated 1996-97 | | |
|--|-------------------|----------------|-------------------|-------------------|----------------|-------------------|-------------------|----------------|-------------------|
| | General Fund | Special Funds | Budget Total | General Fund | Special Funds | Budget Total | General Fund | Special Funds | Budget Total |
| Council for Private Postsecn & Voc Educ | | | | | | | | | |
| State Operations | -- | 3,855 | 3,855 | -- | 5,601 | 5,601 | -- | 5,241 | 5,241 |
| Student Aid Commission | | | | | | | | | |
| State Operations | 3,175 | -- | 3,175 | -- | 6,274 | 6,274 | 6,195 | -- | 6,195 |
| Local Assistance | 222,878 | -- | 222,878 | 234,442 | -- | 234,442 | 245,855 | -- | 245,855 |
| Totals, Student Aid Commission | 226,053 | -- | 226,053 | 240,716 | -- | 240,716 | 252,050 | -- | 252,050 |
| General Obligation Bonds-HI Ed | | | | | | | | | |
| State Operations | 135,094 | -- | 135,094 | 136,827 | -- | 136,827 | 162,234 | -- | 162,234 |
| Totals, Higher Education-UC, CSU and Other | 3,779,123 | 593,524 | 4,372,647 | 3,983,653 | 606,792 | 4,590,445 | 4,240,321 | 608,293 | 4,848,614 |
| TOTALS, EDUCATION | 20,635,115 | 634,337 | 21,269,452 | 22,494,784 | 641,683 | 23,136,467 | 23,670,692 | 645,570 | 24,316,262 |
| State Operations | 4,414,303 | 612,427 | 5,026,810 | 4,636,744 | 625,987 | 5,262,731 | 4,919,767 | 627,188 | 5,546,955 |
| Local Assistance | 16,220,732 | 21,910 | 16,242,642 | 17,858,040 | 15,696 | 17,873,736 | 18,750,925 | 18,382 | 18,769,307 |
| Capital Outlay | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| GENERAL GOVERNMENT | | | | | | | | | |
| General Administration | | | | | | | | | |
| Office of Criminal Justice Planning | | | | | | | | | |
| State Operations | 3,340 | 1,464 | 4,804 | 3,647 | 1,494 | 5,141 | 3,537 | 1,542 | 5,079 |
| Local Assistance | 22,720 | 15,492 | 38,212 | 24,749 | 15,746 | 40,495 | 27,399 | 15,996 | 43,395 |
| Totals, Office of Criminal Justice Planning | 26,060 | 16,956 | 43,016 | 28,396 | 17,240 | 45,636 | 30,936 | 17,538 | 48,474 |
| Comm on Peace Officer Standards & Train | | | | | | | | | |
| State Operations | -- | 15,773 | 15,773 | -- | 17,136 | 17,136 | -- | 14,236 | 14,236 |
| Local Assistance | 1,453 | 13,457 | 14,910 | -- | 16,908 | 16,908 | -- | 26,716 | 26,716 |
| Totals, Comm on Peace Officer Standards & Trai ... | 1,453 | 29,230 | 30,683 | -- | 34,044 | 34,044 | -- | 40,952 | 40,952 |
| State Public Defender | | | | | | | | | |
| State Operations | 8,424 | -- | 8,424 | 8,525 | -- | 8,525 | 8,525 | -- | 8,525 |
| Pay to Court for Cost of Homicide Trial | | | | | | | | | |
| Local Assistance | 4,306 | -- | 4,306 | 6,000 | -- | 6,000 | 6,000 | -- | 6,000 |
| Commission for Economic Development | | | | | | | | | |
| State Operations | 236 | -- | 236 | -- | -- | -- | -- | -- | -- |
| California Arts Council | | | | | | | | | |
| State Operations | 1,890 | -- | 1,890 | 1,801 | 143 | 1,944 | 1,881 | 105 | 1,986 |
| Local Assistance | 10,606 | -- | 10,606 | 10,551 | 190 | 10,741 | 10,551 | 335 | 10,886 |
| Totals, California Arts Council | 12,496 | -- | 12,496 | 12,352 | 333 | 12,685 | 12,432 | 440 | 12,872 |
| Native American Heritage Commission | | | | | | | | | |
| State Operations | 237 | -- | 237 | 240 | -- | 240 | 307 | -- | 307 |
| Agricultural Labor Relations Board | | | | | | | | | |
| State Operations | 3,790 | -- | 3,790 | 4,296 | -- | 4,296 | 4,296 | -- | 4,296 |
| Public Employment Relations Board | | | | | | | | | |
| State Operations | 4,016 | -- | 4,016 | 4,049 | -- | 4,049 | 4,049 | -- | 4,049 |

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | Estimated 1995-96 | | | Estimated 1996-97 | | | |
|--|----------------|---------------|--------------|---------------------|---------------|--------------|-------------------|--------------|---------------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds |
| Dept of Industrial Relations | | | | | | | | | | |
| State Operations | 129,760 | 35,603 | 165,363 | -- | 21,742 | 134,133 | 44,202 | 178,335 | -- | 22,712 |
| Local Assistance | 2,309 | 518 | 2,827 | -- | -- | 1,193 | 582 | 1,775 | -- | -- |
| Totals, Dept of Industrial Relations | 132,069 | 36,121 | 168,190 | -- | 21,742 | 135,326 | 44,784 | 180,110 | -- | 22,712 |
| Department of Personnel Administration | | | | | | | | | | |
| State Operations | 5,912 | -- | 5,912 | -- | -- | 5,330 | -- | 5,330 | -- | 82 |
| CA Citizens Compensation Commission | | | | | | | | | | |
| State Operations | 5 | -- | 5 | -- | -- | 25 | -- | 25 | -- | -- |
| Workers Compensation Benefits | | | | | | | | | | |
| Subsequent Injuries | | | | | | | | | | |
| State Operations | 4,998 | 1,075 | 6,073 | -- | -- | 5,507 | 3,300 | 8,807 | -- | -- |
| Disaster Service Workers | | | | | | | | | | |
| Local Assistance | 350 | -- | 350 | -- | -- | 663 | -- | 663 | -- | -- |
| Totals, Workers Compensation Benefits | 5,348 | 1,075 | 6,423 | -- | -- | 6,170 | 3,300 | 9,470 | -- | -- |
| Board of Chiropractic Examiners | | | | | | | | | | |
| State Operations | -- | 1,513 | 1,513 | -- | -- | -- | 1,662 | 1,662 | -- | -- |
| Osteopathic Medical Board of California | | | | | | | | | | |
| State Operations | -- | 508 | 508 | -- | -- | -- | 637 | 637 | -- | -- |
| Board of Pilot Commissioners | | | | | | | | | | |
| State Operations | -- | 946 | 946 | -- | -- | -- | 1,546 | 1,546 | -- | -- |
| California Auctioneer Commission | | | | | | | | | | |
| State Operations | -- | 2 | 2 | -- | -- | -- | -- | -- | -- | -- |
| California Horse Racing Board | | | | | | | | | | |
| State Operations | -- | 6,802 | 6,802 | -- | -- | -- | 7,575 | 7,575 | -- | -- |
| California Exposition and Fairs | | | | | | | | | | |
| State Operations | -- | 265 | 265 | -- | -- | -- | -- | -- | -- | -- |
| Department of Food and Agriculture | | | | | | | | | | |
| State Operations | 60,624 | 64,319 | 124,943 | -- | 3,274 | 61,235 | 71,427 | 132,662 | -- | 4,616 |
| Local Assistance | 5,422 | 41,762 | 47,184 | -- | -- | 5,398 | 40,914 | 46,312 | -- | -- |
| Capital Outlay | 69 | -- | 69 | -- | -- | 940 | -- | 940 | -- | -- |
| Totals, Department of Food and Agriculture | 66,115 | 106,081 | 172,196 | -- | 3,274 | 67,573 | 112,341 | 179,914 | -- | 4,616 |
| Fair Political Practices Commission | | | | | | | | | | |
| State Operations | 4,450 | -- | 4,450 | -- | -- | 4,587 | -- | 4,587 | -- | -- |
| Political Reform Act of 1974 | | | | | | | | | | |
| State Operations | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Public Utilities Commission | | | | | | | | | | |
| State Operations | -- | 78,903 | 78,903 | -- | 346 | -- | 75,749 | 75,749 | -- | 767 |
| Board of Control | | | | | | | | | | |
| State Operations | 4,142 | 91,765 | 95,907 | -- | 17,863 | 852 | 89,386 | 90,238 | -- | 32,368 |
| Local Assistance | 13,601 | 433 | 14,034 | -- | -- | 1,785 | -- | 1,785 | -- | -- |
| Totals, Board of Control | 17,743 | 92,198 | 109,941 | -- | 17,863 | 2,637 | 89,386 | 92,023 | -- | 32,368 |
| Millon Marks "Little Hoover" Commission | | | | | | | | | | |
| State Operations | 592 | -- | 592 | -- | -- | 594 | -- | 594 | -- | -- |
| Membership in Interstate Organizations | | | | | | | | | | |
| | | | | | | | | | | |

SCHEDULE 9

**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued**
(Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | | | | |
|--|----------------|---------------|--------------|---------------------|-------------------|--------------|---------------|--------------|---------------------|---------------|--------------|---------------|--------------|---------------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds |
| State Operations..... | 763 | -- | 763 | -- | -- | 763 | -- | 763 | -- | -- | 763 | -- | 763 | -- | -- |
| Commission on the Status of Women | | | | | | | | | | | | | | | |
| State Operations | 406 | -- | 406 | -- | -- | 418 | -- | 418 | -- | -- | 418 | -- | 418 | -- | -- |
| California Law Revision Commission | | | | | | | | | | | | | | | |
| State Operations | 416 | -- | 416 | -- | -- | 420 | -- | 420 | -- | -- | 443 | -- | 443 | -- | -- |
| Commission on Uniform State Laws | | | | | | | | | | | | | | | |
| State Operations | 92 | -- | 92 | -- | -- | 119 | -- | 119 | -- | -- | 117 | -- | 117 | -- | -- |
| Bureau of State Audits | | | | | | | | | | | | | | | |
| State Operations | 7,938 | -422 | 7,516 | -- | -- | 7,982 | -- | 7,982 | -- | -- | 9,057 | -- | 9,057 | -- | -- |
| Department of Finance | | | | | | | | | | | | | | | |
| State Operations | 20,804 | -- | 20,804 | -- | -- | 21,614 | -- | 21,614 | -- | 100 | 21,724 | -- | 21,724 | -- | -- |
| Constitutional Revision Commission | | | | | | | | | | | | | | | |
| State Operations | 398 | -- | 398 | -- | -- | 476 | -- | 476 | -- | -- | -- | -- | -- | -- | -- |
| Commission on State Mandates | | | | | | | | | | | | | | | |
| State Operations | 2,029 | -1,411 | 618 | -- | -- | 1,474 | -- | 1,474 | -- | -- | 1,374 | -- | 1,374 | -- | -- |
| Office of Administrative Law | | | | | | | | | | | | | | | |
| State Operations | 1,836 | -- | 1,836 | -- | -- | 1,945 | -- | 1,945 | -- | -- | 1,945 | -- | 1,945 | -- | -- |
| Military Department | | | | | | | | | | | | | | | |
| State Operations | 18,802 | 14 | 18,816 | -- | 33,942 | 19,094 | 150 | 19,244 | -- | 39,749 | 18,862 | 150 | 19,012 | -- | 31,176 |
| Capital Outlay | 1,580 | 64 | 1,644 | -- | 17,533 | 3,170 | 374 | 3,544 | -- | 41,987 | 8,470 | -- | 8,470 | -- | 67,410 |
| Unclassified | -- | -- | -- | -- | 393,787 | -- | -- | -- | -- | 382,258 | -- | -- | -- | -- | 388,056 |
| Totals, Military Department | 20,382 | 78 | 20,460 | -- | 445,262 | 22,264 | 524 | 22,788 | -- | 463,994 | 27,332 | 150 | 27,482 | -- | 486,642 |
| Department of Veterans Affairs | | | | | | | | | | | | | | | |
| State Operations | 2,394 | -- | 2,394 | -- | -- | 2,157 | 25 | 2,182 | -- | -- | 1,737 | 25 | 1,762 | -- | -- |
| Local Assistance | 1,600 | -- | 1,600 | -- | -- | 1,600 | 196 | 1,796 | -- | -- | 1,600 | 196 | 1,796 | -- | -- |
| Capital Outlay | -- | -- | -- | -- | -- | 1,680 | -- | 1,680 | -- | -- | -- | -- | -- | -- | -- |
| Totals, Department of Veterans Affairs | 3,994 | -- | 3,994 | -- | -- | 5,437 | 221 | 5,658 | -- | -- | 3,337 | 221 | 3,558 | -- | -- |
| Veteran's Home of California- Yountville | | | | | | | | | | | | | | | |
| State Operations | 23,999 | -- | 23,999 | -- | 8,557 | 24,198 | -- | 24,198 | -- | 9,365 | 24,784 | -- | 24,784 | -- | 9,364 |
| Capital Outlay | 513 | 944 | 1,457 | -- | 1,782 | 7,237 | 850 | 8,087 | -- | 13,496 | 620 | -- | 620 | -- | -- |
| Totals, Veteran's Home of California-Yountvi | 24,512 | 944 | 25,456 | -- | 10,339 | 31,435 | 850 | 32,285 | -- | 22,861 | 25,404 | -- | 25,404 | -- | 9,364 |
| Veterans' Home of California—Barstow | | | | | | | | | | | | | | | |
| State Operations | -- | -- | -- | -- | -- | 11,047 | -- | 11,047 | -- | 232 | 10,901 | -- | 10,901 | -- | 2,957 |
| Capital Outlay | -- | -- | -- | -- | 16,319 | -- | -- | -- | -- | 3,556 | -- | -- | -- | -- | -- |
| Totals, Veterans' Home of California—Barsto | -- | -- | -- | -- | 16,319 | 11,047 | -- | 11,047 | -- | 3,788 | 10,901 | -- | 10,901 | -- | 2,957 |
| Totals, Department of Veterans Affairs | 28,506 | 944 | 29,450 | -- | 26,658 | 47,919 | 1,071 | 48,990 | -- | 26,649 | 39,642 | 221 | 39,863 | -- | 12,321 |
| Veterans Memorial Commission | | | | | | | | | | | | | | | |
| State Operations | -- | 75 | 75 | -- | -- | -- | 75 | 75 | -- | -- | -- | 75 | 75 | -- | -- |
| General Obligation Bonds-Gen Govt | | | | | | | | | | | | | | | |
| State Operations | 2,899 | -- | 2,899 | -- | -- | 3,234 | -- | 3,234 | -- | -- | 9,105 | -- | 9,105 | -- | -- |
| Totals, General Administration | 379,721 | 369,864 | 749,585 | -- | 574,728 | 394,728 | 390,267 | 784,995 | -- | 628,564 | 403,647 | 392,092 | 795,739 | -- | 632,555 |

SCHEDULE 9

**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued**
(Dollars in Thousands)

| | Actual 1994-95 | | | Estimated 1995-96 | | | Estimated 1996-97 | | |
|---|----------------|------------------|--------------|-------------------|------------------|--------------|-------------------|------------------|--------------|
| | General Fund | Special Funds | Bond Funds | General Fund | Special Funds | Bond Funds | General Fund | Special Funds | Bond Funds |
| Tax Relief | | | | | | | | | |
| Tax Relief | | | | | | | | | |
| Local Assistance | | | | | | | | | |
| Senior Citizens Property Tax Assistance | 2,208 | -- | -- | 2,268 | -- | -- | 2,041 | -- | -- |
| Senior Citizens Property Tax Deferral | 13,878 | -- | -- | 16,000 | -- | -- | 16,000 | -- | -- |
| Senior Citizens Renters Tax Assistance | 13,372 | -- | -- | 14,000 | -- | -- | 14,000 | -- | -- |
| Homeowners' Property Tax Relief | 378,815 | -- | -- | 388,824 | -- | -- | 392,712 | -- | -- |
| Subventions for Open Space | 34,722 | -- | -- | 36,000 | -- | -- | 36,000 | -- | -- |
| Renters' Tax Relief | 7,390 | -- | -- | -- | -- | -- | -- | -- | -- |
| Substandard Housing | 370 | -- | -- | 370 | -- | -- | 370 | -- | -- |
| Property Tax Admin | 25,000 | -- | -- | -- | -- | -- | -- | -- | -- |
| State-Mandated Local Programs | 26 | -- | -- | 622 | -- | -- | 3,602 | -- | -- |
| Totals, Local Assistance | 475,781 | -- | -- | 458,084 | -- | -- | 464,725 | -- | -- |
| Totals, Tax Relief | 475,781 | -- | -- | 458,084 | -- | -- | 464,725 | -- | -- |
| Local Government Subventions | | | | | | | | | |
| Local Government Financing | | | | | | | | | |
| Shared Revenue | | | | | | | | | |
| Apprntmt-Hwy Properties Rental Receipt | | | | | | | | | |
| Local Assistance | -- | 3,688 | -- | -- | 3,645 | -- | -- | 3,645 | -- |
| Apprntmt-Off-Highway License Fees | | | | | | | | | |
| Local Assistance | -- | 839 | -- | -- | 850 | -- | -- | 850 | -- |
| Apprntmt-Fed Rcpts Flood Condt Lands | | | | | | | | | |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | -- | 250 |
| Apprntmt-Fed Receipts-Forest Reserves | | | | | | | | | |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | -- | 60,000 |
| Apprntmt-Fed Receipts-Grazing Land | | | | | | | | | |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | -- | 150 |
| Apprntmt-Fed Polish Lease Rentals | | | | | | | | | |
| Local Assistance | -- | -- | -- | -- | -- | -- | -- | -- | 3,500 |
| Apprntmt-Motor Vehicle License Fees | | | | | | | | | |
| Local Assistance | -- | 2,208,069 | -- | -- | 2,294,644 | -- | -- | 2,395,967 | -- |
| Apprntmt-Tideland Revenues | | | | | | | | | |
| Local Assistance | 109 | -- | -- | 250 | -- | -- | 250 | -- | -- |
| Apprntmt-MV Fuel Tax-County Roads | | | | | | | | | |
| Local Assistance | -- | 285,697 | -- | -- | 294,374 | -- | -- | 299,027 | -- |
| Apprntmt-MV Fuel Tax-City Streets | | | | | | | | | |
| Local Assistance | -- | 208,890 | -- | -- | 220,674 | -- | -- | 225,105 | -- |
| Apprntmt-MV Fuel Tax-Co Rds & City Sis | | | | | | | | | |
| Local Assistance | -- | 129,993 | -- | -- | 132,894 | -- | -- | 134,353 | -- |
| Apprntmt-MV Fuel to Co&Ch-Si&Hwy Purp | | | | | | | | | |
| Local Assistance | -- | 295,538 | -- | -- | 312,858 | -- | -- | 317,812 | -- |
| Apprntmt-Geothermal Resources Develop | | | | | | | | | |
| Local Assistance | -- | 3,331 | -- | -- | 2,671 | -- | -- | 2,671 | -- |
| Totals, Shared Revenue | 109 | 3,136,045 | -- | 250 | 3,262,610 | -- | 250 | 3,379,430 | -- |
| Totals, Local Government Subventions | 12,889 | 3,136,045 | 2,900 | 22,200 | 3,262,610 | 5,000 | 160,100 | 3,379,430 | 5,000 |
| Totals, Local Government Subventions | 12,889 | 3,136,045 | 2,900 | 22,200 | 3,262,610 | 5,000 | 160,100 | 3,379,430 | 5,000 |

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | |
|---|----------------|---------------|--------------|---------------------|-------------------|--------------|---------------|--------------|---------------------|---------------|--------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds |
| Debt Service | | | | | | | | | | | | |
| Payment of Interest on PMIA Loans | 147 | -- | 147 | -- | -- | 500 | -- | 500 | -- | -- | 500 | -- |
| State Operations | | | | | | | | | | | | |
| Payment of Interest on Gen Fund Loans | 408,483 | -- | 408,483 | -- | -- | 295,644 | -- | 295,644 | -- | -- | 255,000 | -- |
| Interest Payments to the Federal Govt | | | | | | | | | | | | |
| State Operations | 5,310 | 72 | 5,382 | -- | -- | 9,200 | 501 | 9,701 | -- | -- | 12,501 | 501 |
| Totals, Debt Service | 413,940 | 72 | 414,012 | -- | -- | 305,344 | 501 | 305,845 | -- | -- | 267,500 | 501 |
| Statewide Expenditures | | | | | | | | | | | | |
| Health & Dental Benefits for Annuitants | | | | | | | | | | | | |
| State Operations | 297,160 | -- | 297,160 | -- | -- | 275,911 | -- | 275,911 | -- | -- | 278,680 | -- |
| Eqty Ctm Bd Control, Slmints by Justice | | | | | | | | | | | | |
| State Operations | 3,267 | 893 | 4,160 | -- | 75 | 7,307 | 4,222 | 11,529 | 385 | 19 | 1,201 | -- |
| Federal Levy of State Funds | | | | | | | | | | | | |
| Unclassified | -- | -- | -- | -- | -- | 26 | -- | 26 | -- | -- | -- | -- |
| Reserve for Contingencies or Emergency | | | | | | | | | | | | |
| State Operations | -- | -- | -- | -- | -- | 2,000 | 1,500 | 3,500 | -- | -- | 2,000 | 1,500 |
| Unallocated Capital Outlay | | | | | | | | | | | | |
| Capital Outlay | -- | 150 | 150 | -- | -- | 150 | -- | 150 | -- | -- | 200 | -- |
| Reserve for Encumbrances | | | | | | | | | | | | |
| Unclassified | 9,727 | -- | 9,727 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| PERS General Fund Payment | | | | | | | | | | | | |
| State Operations | 441,000 | -- | 441,000 | -- | -- | 463,922 | -- | 463,922 | -- | -- | 485,000 | -- |
| Statewide Gen. Adm Exp (Pro Rata) | | | | | | | | | | | | |
| State Operations | -158,477 | 2,539 | -155,938 | 14 | -- | -128,715 | 621 | -128,094 | -- | -- | -150,392 | 1,664 |
| Totals, Statewide Expenditures | 592,677 | 3,582 | 596,259 | 14 | 75 | 620,601 | 6,343 | 626,944 | 385 | 19 | 616,689 | 3,164 |
| Statewide Savings | | | | | | | | | | | | |
| General Fund Credits from Federal Funds | | | | | | | | | | | | |
| State Operations | -43,500 | -- | -43,500 | -- | -- | -38,417 | -- | -38,417 | -- | -- | -42,546 | -- |
| PERS Deferral | | | | | | | | | | | | |
| State Operations | -787,000 | -- | -787,000 | -- | -- | -616,000 | -- | -616,000 | -- | -- | -616,000 | -- |
| PERS Surplus Asset Savings | | | | | | | | | | | | |
| State Operations | -48,000 | -- | -48,000 | -- | -- | -65,300 | -- | -65,300 | -- | -- | -33,000 | -- |
| Estimated Unidentifiable Savings | | | | | | | | | | | | |
| State Operations | -- | -- | -- | -- | -- | -5,000 | -- | -5,000 | -- | -- | -5,000 | -- |
| Local Assistance | -- | -- | -- | -- | -- | -55,000 | -- | -55,000 | -- | -- | -55,000 | -- |
| Totals, Estimated Unidentifiable Savings | -- | -- | -- | -- | -- | -60,000 | -- | -60,000 | -- | -- | -60,000 | -- |
| Totals, Statewide Savings | -878,500 | -- | -878,500 | -- | -- | -779,717 | -- | -779,717 | -- | -- | -751,546 | -- |
| Adjustment to Reconcile to Controller | | | | | | | | | | | | |
| Unclassified | -23,917 | -- | -23,917 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Totals, Adjustment to Reconcile to Controller | -23,917 | -- | -23,917 | -- | -- | -- | -- | -- | -- | -- | -- | -- |

SCHEDULE 9

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1994-95, 1995-96, AND 1996-97--Continued
(Dollars in Thousands)

| | Actual 1994-95 | | | | Estimated 1995-96 | | | | Estimated 1996-97 | | | |
|--------------------------------------|----------------|---------------|--------------|---------------------|-------------------|--------------|---------------|--------------|---------------------|---------------|--------------|---------------|
| | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds | Budget Total | Selected Bond Funds | Federal Funds | General Fund | Special Funds |
| TOTALS, GENERAL GOVERNMENT | | | | | | | | | | | | |
| State Operations | 972,591 | 3,509,563 | 4,482,154 | 2,914 | 628,868 | 1,021,240 | 3,659,721 | 4,680,961 | 5,385 | 692,483 | 1,161,115 | 3,775,187 |
| Local Assistance | 433,582 | 300,698 | 734,280 | 14 | 88,881 | 530,814 | 321,351 | 852,165 | 385 | 114,268 | 525,865 | 309,681 |
| Capital Outlay | 551,037 | 3,207,707 | 3,758,744 | 2,900 | 110,566 | 477,223 | 3,337,146 | 3,814,369 | 5,000 | 136,918 | 625,365 | 3,465,506 |
| Unclassified | 2,162 | 1,158 | 3,320 | -- | 35,634 | 13,177 | 1,224 | 14,401 | -- | 59,039 | 9,885 | -- |
| | -14,190 | -- | -14,190 | -- | 393,787 | 26 | -- | 26 | -- | 382,258 | -- | -- |
| GRAND TOTAL | 41,961,466 | 11,942,940 | 53,904,406 | 708,120 | 31,497,271 | 44,246,044 | 12,941,821 | 57,187,865 | 888,074 | 31,598,906 | 45,242,193 | 13,333,006 |
| State Operations | 11,210,741 | 5,208,336 | 16,419,077 | 65,600 | 6,217,309 | 11,843,041 | 5,591,936 | 17,434,977 | 56,270 | 6,537,165 | 12,500,365 | 5,576,791 |
| Local Assistance | 30,754,233 | 6,394,308 | 37,148,541 | 506,094 | 23,351,303 | 32,346,153 | 6,772,491 | 39,118,844 | 439,071 | 23,237,903 | 32,660,348 | 6,925,557 |
| Capital Outlay | 10,682 | 315,001 | 325,683 | 136,426 | 1,534,872 | 56,824 | 551,899 | 608,723 | 192,733 | 1,441,580 | 81,340 | 805,765 |
| Unclassified | -14,190 | 25,295 | 11,105 | -- | 393,787 | 26 | 25,295 | 25,321 | -- | 382,258 | -- | 24,893 |
| BUDGET ACT TOTALS | 30,356,278 | 5,329,142 | 35,685,420 | 117,096 | 26,312,056 | 31,641,598 | 5,825,330 | 37,466,928 | 138,639 | 26,551,303 | 32,237,613 | 6,328,139 |
| State Operations | 9,512,493 | 4,681,630 | 14,194,123 | 47,874 | 2,475,123 | 10,201,204 | 5,014,957 | 15,216,161 | 37,899 | 2,537,581 | 10,943,975 | 5,031,518 |
| Local Assistance | 20,823,376 | 464,140 | 21,287,516 | 39,238 | 23,104,509 | 21,392,460 | 526,735 | 21,919,195 | 30,539 | 23,118,149 | 21,216,361 | 713,412 |
| Capital Outlay | 10,682 | 183,372 | 194,054 | 29,984 | 732,424 | 47,934 | 283,638 | 331,572 | 70,201 | 895,573 | 77,277 | 583,209 |
| Unclassified | 9,727 | -- | 9,727 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| STATUTORY APPROPRIATIONS | 9,284,203 | 6,088,013 | 15,372,216 | 368,683 | 123,134 | 10,396,290 | 6,392,096 | 16,788,386 | 346,299 | 8,044 | 11,304,198 | 6,610,751 |
| State Operations | 220,436 | 492,474 | 712,910 | 5,359 | 3,256 | 70,009 | 517,378 | 587,387 | 4,097 | 4,034 | 4,784 | 537,103 |
| Local Assistance | 9,063,767 | 5,570,243 | 14,634,010 | 361,641 | 103,559 | 10,326,281 | 5,849,423 | 16,175,704 | 324,446 | 454 | 11,299,414 | 6,048,755 |
| Capital Outlay | -- | 1 | 1 | 1,683 | 16,319 | -- | -- | -- | 17,756 | 3,556 | -- | -- |
| Unclassified | -- | 25,295 | 25,295 | -- | -- | -- | 25,295 | 25,295 | -- | -- | -- | 24,893 |
| CONSTITUTIONAL APPROPRIATIONS | 1,852,283 | -- | 1,852,283 | -- | -- | 1,951,452 | -- | 1,951,452 | -- | -- | 1,959,232 | -- |
| State Operations | 1,852,283 | -- | 1,852,283 | -- | -- | 1,951,452 | -- | 1,951,452 | -- | -- | 1,959,232 | -- |
| OTHER APPROPRIATIONS | 468,702 | 525,785 | 994,487 | 222,341 | 5,062,081 | 256,704 | 724,395 | 981,099 | 203,136 | 5,039,559 | -258,850 | 394,116 |
| State Operations | -374,471 | 34,232 | -340,239 | 12,367 | 3,738,930 | -379,624 | 59,601 | -320,023 | 14,274 | 3,995,550 | -407,486 | 8,170 |
| Local Assistance | 867,090 | 359,925 | 1,227,015 | 105,215 | 143,235 | 627,412 | 396,533 | 1,023,945 | 84,086 | 119,300 | 144,573 | 163,309 |
| Capital Outlay | -- | 131,628 | 131,628 | 104,759 | 786,129 | 8,890 | 268,261 | 277,151 | 104,776 | 542,451 | 4,063 | 222,556 |
| Unclassified | -23,917 | -- | -23,917 | -- | 393,787 | 26 | -- | 26 | -- | 382,258 | -- | -- |

SCHEDULE 10
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1994, 1995, 1996 AND 1997
(Dollars in Thousands)

| Fund | Reserves June 30, 1994 | Actual Income 1994-95 | Actual Expenditures 1994-95 | Reserves June 30, 1995 | Estimated Income 1995-96 | Estimated Expenditures 1995-96 | Reserves June 30, 1996 | Estimated Income 1996-97 | Estimated Expenditures 1996-97 | Reserves June 30, 1997 |
|--|---------------------------|-----------------------------|-----------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|
| GENERAL FUND | 109,066 | 43,735,072 | 43,161,458 | 682,680 | 44,991,005 | 45,271,040 | 402,645 | 45,570,510 | 45,242,195 | 730,960 |
| SPECIAL ACCOUNTS: | | | | | | | | | | |
| Access for Handicapped Account | 783 | 1,585 | 1,303 | 1,065 | 1,598 | 1,819 | 844 | 1,598 | 1,806 | 636 |
| Accountancy Fund | 4,385 | 10,467 | 6,737 | 8,115 | 8,218 | 9,649 | 6,684 | 8,038 | 9,326 | 5,396 |
| Acupuncture Fund | 1,179 | 1,267 | 908 | 1,538 | 1,374 | 1,143 | 1,769 | 1,018 | 1,235 | 1,552 |
| Aeronautics Account STF | 727 | 8,327 | 6,884 | 2,170 | 8,320 | 9,484 | 1,006 | 8,289 | 8,266 | 1,029 |
| Agricultural Export Promotion Act, CA | 7 | 214 | 203 | 18 | 446 | 439 | 25 | 446 | 439 | 32 |
| Agricultural Pest Control Research Acct | 39 | 2 | -22 | 63 | 2 | -- | 65 | 2 | -- | 67 |
| Agriculture Act, AG Fund | 37,048 | 76,864 | 77,767 | 36,145 | 79,558 | 85,585 | 30,118 | 80,735 | 82,603 | 28,250 |
| Air Pollution Control Fund | 1,743 | 9,693 | 9,292 | 2,144 | 9,314 | 9,299 | 2,159 | 9,405 | 9,389 | 2,175 |
| Air Toxics Inventory and Assessment Act | 702 | 4,301 | 4,752 | 251 | 4,471 | 4,676 | 46 | 2,670 | 2,643 | 73 |
| Alcohol Beverage Control Fund | 9,561 | 19,564 | 28,011 | 1,114 | 32,035 | 30,415 | 2,734 | 26,360 | 28,592 | 502 |
| Alcoholic Beverage Control Appeals Fund | 402 | 403 | 486 | 319 | 680 | 534 | 465 | 578 | 533 | 510 |
| Architectural Examiners Fd, St Bd of | 2,412 | 2,825 | 3,133 | 2,104 | 3,535 | 3,841 | 1,798 | 2,622 | 3,730 | 690 |
| Armory Discretionary Improvement Account | 37 | 28 | 14 | 51 | 150 | 150 | 51 | 150 | 150 | 51 |
| Asbestos Consultant Certification Act | 27 | 227 | 242 | 12 | 309 | 314 | 7 | 309 | 316 | -- |
| Asbestos Training Approval Account | 96 | -- | -- | 96 | 189 | 237 | 48 | 189 | 237 | -- |
| Assembly and Senate, Operating Funds Of | 21 | -- | -- | 21 | -- | -- | 21 | -- | -- | 21 |
| Assistance for Fire Equipment Act, State | 225 | 30 | 15 | 240 | 100 | 100 | 240 | 100 | 100 | 240 |
| Athletic Commission Fund | 50 | -35 | 15 | -- | -- | -- | -- | -- | -- | -- |
| Attorney General Antitrust Account | 1,119 | 2,452 | 497 | 3,074 | 60 | 1,036 | 2,098 | 20 | 1,037 | 1,081 |
| Auctioneer Commission Fund | 3 | 8 | 11 | -- | -- | -- | -- | -- | -- | -- |
| AIDS Vaccine Research Develop Grant Fd | B | -- | -- | 8 | -- | 2 | 6 | -- | 1 | 5 |
| Bank and Corporation Tax Fund | -- | -- | 15 | -15 | -- | 36 | -51 | -- | -- | -51 |
| Banking Fund, State | 7,197 | 14,654 | 16,155 | 5,696 | 14,649 | 16,407 | 3,938 | 15,131 | 15,784 | 3,285 |
| Barbering/Cosmetology Fd, St Bd of | 3,643 | 8,265 | 7,096 | 4,812 | 9,078 | 9,207 | 4,683 | 9,078 | 10,908 | 2,853 |
| Base Restoration Subaccount, STGA | -- | 73,843 | 73,843 | -- | -- | -- | -- | -- | -- | -- |
| Bay Protection and Toxic Cleanup Fund | 359 | 2,543 | 2,200 | 702 | 2,350 | 2,449 | 603 | 2,250 | 2,448 | 405 |
| Behavioral Science Examiners Fund | 741 | 4,369 | 4,637 | 473 | 4,812 | 4,874 | 411 | 5,837 | 4,644 | 1,604 |
| Beverage Container Recycling Fund, CA | 77,935 | 337,685 | 315,832 | 99,788 | 305,016 | 337,298 | 67,506 | 323,986 | 345,329 | 46,163 |
| Bicycle Lane Account, STF | 518 | 460 | 405 | 573 | 440 | 470 | 543 | 440 | 470 | 513 |
| Bimetal Processing Fee Act, Bev Cont Re | -- | -- | -- | -- | 9 | 7 | 2 | 18 | 16 | 4 |
| Boyer's Neurological Examination Account | 178 | -31 | -- | 147 | 171 | 238 | 80 | 171 | 230 | 21 |
| Boyers Pension Account | -- | 19 | 19 | -- | 35 | 35 | -- | 35 | 35 | -- |
| Breast Cancer Control Account | -- | 6,202 | -- | 6,202 | 16,829 | 16,829 | 5,993 | 15,966 | 16,947 | 5,012 |
| Breast Cancer Fund | 3,710 | 24,043 | 27,753 | -- | 60 | 60 | -- | 67 | 67 | -- |
| Breast Cancer Research Account | -- | 6,202 | -- | 6,202 | 16,829 | 16,393 | 6,429 | 15,967 | 16,455 | 5,941 |
| Business Fees Fund, Secy of State's | -- | 16,742 | 16,742 | -- | 21,330 | 21,330 | -- | 20,816 | 20,816 | -- |
| Business Reinvestment Fund | -- | -- | -- | -- | 2,000 | -- | 2,000 | 2,000 | 449 | 3,551 |
| Cal- OSHA Targeted Inspection & Consult | -- | -- | -- | 593 | 9,866 | 10,459 | -- | 9,298 | 7,954 | 1,344 |
| Capital Outlay Fd for Public Higher Educ | 3,018 | 2,474 | 4,899 | 3,232 | -3,232 | -- | -- | -- | -- | -- |
| Caseload Subacct, Sales Tax Growth Act | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Cemetery Fund | -- | 5,637 | 5,637 | -- | -- | -- | -- | -- | -- | -- |
| Certification Act, Consumer Affairs Fd | 54 | 272 | 312 | 3 | 2,959 | 2,959 | 12 | 4,202 | 4,202 | 12 |
| Certification Fund | 244 | 313 | 312 | 245 | 361 | 600 | 6 | 596 | 588 | 14 |
| Childhood Lead Poisoning Prevention Fund | 151 | 272 | 209 | 214 | 334 | 441 | 107 | 423 | 402 | 128 |
| | 10,734 | 12,874 | 15,871 | 7,737 | 13,019 | 16,548 | 4,208 | 13,019 | 12,201 | 5,026 |

SCHEDULE 10
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1994, 1995, 1996 AND 1997--Continued
(Dollars in Thousands)

| Fund | Reserves June 30, 1994 | Actual Income 1994-95 | Actual Expenditures 1994-95 | Reserves June 30, 1995 | Estimated Income 1995-96 | Estimated Expenditures 1995-96 | Reserves June 30, 1996 | Estimated Income 1996-97 | Estimated Expenditures 1996-97 | Reserves June 30, 1997 |
|--|---------------------------|-----------------------------|-----------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|
| Chiropractic Examiners Fund | 1,470 | 1,820 | 1,513 | 1,777 | 1,751 | 1,662 | 1,866 | 1,751 | 1,740 | 1,877 |
| Cigarette & Tobacco Products Surtax Fund | -- | 898 | 898 | -- | 880 | 880 | -- | 945 | 945 | -- |
| Clinical Laboratory Improvement Fund | -- | -- | -- | -- | 3,775 | 3,727 | 48 | 5,677 | 5,321 | 404 |
| Co Medical Svc Subacct.Sales Tax Growth | -- | 431 | 431 | -- | 4,106 | 4,106 | -- | 2,778 | 2,778 | -- |
| Commerce Marketing Fund | 23 | 23 | 13 | 33 | 102 | 107 | 28 | 102 | 106 | 24 |
| Commercial Motor Carrier Safety Enfrnt Fd | 464 | 863 | 65 | 1,262 | 863 | 1,416 | 709 | 863 | 1,522 | 50 |
| Commodity Merchant Account | 38 | -- | -- | 38 | -- | -- | 38 | -- | -- | 38 |
| Community Health Equity Sub, SalesTxCrwt | -- | 1,241 | 1,241 | -- | 10,758 | 10,758 | -- | 8,008 | 8,008 | -- |
| Competitive Technology Fund | 6,215 | 723 | 504 | 6,434 | 332 | 5,595 | 1,171 | 91 | 1,262 | -- |
| Construction Management Education Actt | 3 | 21 | -- | 24 | 16 | 16 | 24 | 16 | 15 | 25 |
| Continuing Care Provider Fee Fund | 591 | 474 | 540 | 525 | 510 | 515 | 520 | 510 | 619 | 411 |
| Contractors License Fund | 10,986 | 41,034 | 36,528 | 15,492 | 41,754 | 38,597 | 18,649 | 43,127 | 38,685 | 23,091 |
| Corporations Fund, State | 12,310 | 32,596 | 28,064 | 16,842 | 31,663 | 33,077 | 15,428 | 32,469 | 34,074 | 13,823 |
| Corrections Training Fund | 378 | 10,203 | 9,755 | 826 | 10,520 | 10,129 | 1,217 | 10,702 | 11,629 | 290 |
| Court Collection Account | -- | -- | -- | -- | -- | -- | -- | 374 | 374 | -- |
| Court Interpreters' Fund | -- | 50 | 50 | -- | 224 | 224 | -- | 224 | 224 | -- |
| Court Reporters Fund | 271 | 580 | 563 | 288 | 514 | 554 | 248 | 782 | 554 | 476 |
| Dealers' Record of Sale Actt | 1,938 | 6,992 | 7,597 | 1,333 | 8,195 | 9,504 | 24 | 7,810 | 7,525 | 309 |
| Debt Advisory Commission Fund, Calif | 1,217 | 599 | 1,241 | 575 | 1,298 | 1,414 | 459 | 1,434 | 1,560 | 333 |
| Debt Limit Allocation Committee Fund Cal | 1,249 | 543 | 295 | 1,497 | 522 | 409 | 1,610 | 536 | 409 | 1,737 |
| Delinquent Tax Collection Fund | 1 | -- | -92 | 93 | -- | -- | 93 | -- | -- | 93 |
| Delta Flood Protection Fund | -- | 12,665 | 12,341 | 324 | 9,291 | 9,241 | 374 | 9,822 | 9,150 | 1,046 |
| Dental Auxiliary Fund, State | 680 | 1,226 | 915 | 991 | 1,047 | 1,051 | 987 | 1,049 | 1,121 | 915 |
| Dentistry Fund, State | 2,363 | 4,944 | 5,201 | 2,106 | 5,069 | 5,973 | 1,202 | 4,899 | 5,687 | 414 |
| Developmental Disabilities Prog Dew Fund | 537 | 2,155 | 2,370 | 322 | 2,066 | 2,133 | 255 | 1,917 | 2,133 | 39 |
| Developmental Disabilities Services Actt | 61 | 7 | -- | 68 | 40 | 26 | 82 | 26 | 76 | 20 |
| Diesel Emission Reduction Fund | 686 | 36 | 220 | 502 | 272 | 272 | 270 | 790 | 805 | 255 |
| Diesel Fuel Trust Fund | -- | 300 | 300 | -- | 6,000 | 6,000 | -- | -- | -- | -- |
| Disaster Relief Fund | 28,552 | 1,668 | -- | 30,220 | -10,586 | -- | 19,634 | -19,634 | -- | -- |
| Dispensing Opticians Fund | 329 | 60 | 152 | 237 | 289 | 254 | 272 | 181 | 240 | 213 |
| Driver Training Penalty Assessment Fund | 32 | 911 | 924 | 19 | 953 | 972 | -- | 989 | 989 | -- |
| Driving-Under-the-Influence Prog Lic Trs | -55 | 1,387 | 1,340 | -8 | 1,800 | 1,662 | 130 | 1,800 | 1,609 | 321 |
| Dry Cleaning Fund | 87 | 93 | 104 | 76 | 93 | 121 | 48 | 91 | 116 | 23 |
| Earthquake Emergency Invest Actt-NDA Fd | 4 | -- | -- | 4 | -- | -- | 4 | -- | -- | 4 |
| Elevator Safety Account | 533 | 1,349 | 1,873 | 9 | 1,776 | 1,751 | 34 | 1,515 | 1,549 | -- |
| Electronic and Appliance Repair Fund | 2,562 | 7,549 | 4,539 | 5,572 | 7,750 | 5,922 | 7,400 | 7,750 | 5,971 | 9,179 |
| Emerg Medical Svcs Trng Prog Approval Fd | -- | 19 | -- | 19 | 16 | 15 | 20 | 16 | 15 | 21 |
| Emergency Clean Water Grant Fund | 3 | 2 | -- | 5 | -- | -- | 5 | -- | -- | 5 |
| Emergency Medical Services Personnel Fnd | -- | 610 | 597 | 13 | 737 | 740 | 10 | 737 | 644 | 103 |
| Emergency Telephone Number Actt, State | 7,049 | 74,730 | 63,962 | 17,817 | 70,743 | 66,595 | 21,965 | 70,743 | 66,618 | 26,090 |
| Employment Development Contingent Fund | 1,458 | 28,255 | 28,713 | 1,000 | 32,666 | 32,666 | 1,000 | 32,715 | 32,715 | 1,000 |
| Employment Development Dept Benefit Audit | 3,164 | 11,941 | 10,703 | 4,402 | 11,623 | 10,907 | 5,118 | 11,711 | 12,322 | 4,507 |
| Emergency Svcs Disast Adm Supprt Ac Ofc Of | 6,604 | 419 | 7,023 | -- | -- | -- | -- | -- | -- | -- |
| Energy Conservation Assistance Ac, State | 4,407 | 471 | 1,039 | 3,839 | 826 | 4,653 | 12 | 802 | 814 | -- |
| Energy Resources Programs Account | 5,359 | 35,378 | 40,737 | -- | 39,069 | 38,504 | 565 | 43,574 | 43,017 | 1,122 |
| Energy Tech Research, Dev, & Demo Actt | 1,942 | 684 | 684 | 1,554 | 326 | 1,813 | 67 | 339 | 369 | 37 |
| Environmental Enhancement Fund | 330 | 285 | -- | 615 | -415 | -- | 200 | -175 | -- | 25 |
| Environmental Laboratory Improvement Fnd | 684 | 2,066 | 1,942 | 808 | 2,178 | 2,167 | 819 | 2,299 | 2,181 | 937 |

SCHEDULE 10
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1994, 1995, 1996 AND 1997--Continued
(Dollars in Thousands)

| Fund | Reserves June 30, 1994 | Actual Income 1994-95 | Actual Expenditures 1994-95 | Reserves June 30, 1995 | Estimated Income 1995-96 | Estimated Expenditures 1995-96 | Reserves June 30, 1996 | Estimated Income 1996-97 | Estimated Expenditures 1996-97 | Reserves June 30, 1997 |
|---|---------------------------|-----------------------------|-----------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|
| Environmental License Plate Fund, Calif | 1,400 | 24,943 | 24,736 | 1,607 | 22,401 | 21,629 | 2,379 | 20,640 | 22,031 | 988 |
| Environmental Water Fund | -- | 9,162 | 9,000 | 162 | 9,150 | 9,000 | 312 | 6,900 | 6,750 | 462 |
| Environment Enhanc & Mitigat Demo Prgm Fd | 2,585 | 11,063 | 10,828 | 2,820 | 4,826 | 5,181 | 2,465 | 10,200 | 10,116 | 2,549 |
| Environmental Protection Trust Fund | 607 | 1,498 | 1,472 | 633 | 1,735 | 2,004 | 364 | 1,735 | 2,022 | 77 |
| Estate Tax Fund | -- | -- | -- | -- | -- | 1 | -1 | -- | -- | -- |
| Expedited Site Remediation Trust Fund | -- | -- | -- | -- | 4,193 | -- | 4,193 | 4,200 | 8,196 | 197 |
| Export Document Program Fund | 30 | 125 | 107 | 48 | 124 | 141 | 31 | 202 | 219 | 14 |
| Exposition Park Improvement Fund | 565 | 1,635 | 2,096 | 104 | 1,741 | 1,662 | 183 | 1,741 | 1,662 | 262 |
| Fair and Exposition Fund | 641 | 24,129 | 24,983 | -213 | 24,450 | 23,028 | 1,209 | 24,657 | 23,309 | 2,557 |
| Farm Labor Contractors Special Account | 353 | 21 | -- | 374 | 27 | 27 | 374 | 27 | 27 | 374 |
| Federal Receipts Act, HWC | 1,803 | 3,260 | 745 | 4,318 | 2,434 | 5,849 | 903 | 2,407 | 3,310 | -- |
| Financial Responsibility Penalty Account | -- | 195 | -- | 195 | -195 | -- | -- | -- | -- | -- |
| Fines & Forfeitures Act, Parks & Rec Fd | 257 | 19 | 271 | 5 | -- | -- | 5 | -- | -- | 5 |
| Fingerprint Fees Account | 581 | 21,959 | 22,381 | 159 | 25,425 | 24,683 | 901 | 24,425 | 24,053 | 1,273 |
| Fire and Arson Training Fund, Calif | 120 | 1,168 | 1,181 | 107 | 1,422 | 1,436 | 93 | 1,422 | 1,478 | 37 |
| Fire Marshal Licensing & Cert Fund, St | 436 | 1,620 | 1,437 | 619 | 1,739 | 1,647 | 711 | 1,739 | 1,672 | 778 |
| Firearms Safety Training Fund Special Ac | 899 | 898 | 720 | 1,077 | -192 | 800 | 85 | 850 | 735 | 200 |
| Fish and Game Preservation Fund | 8,116 | 75,522 | 70,936 | 12,702 | 76,852 | 76,972 | 12,582 | 73,697 | 74,288 | 11,991 |
| Fish and Wildlife Pollution Account | -332 | 601 | 421 | -152 | 3,803 | 1,462 | 2,189 | -797 | 998 | 394 |
| Fisheries Restoration Account | 10 | 3 | 10 | 3 | -- | -- | 3 | -- | -- | 3 |
| Food Safety Act, Pesticide Reg Fd, Depl | 1,927 | 1,885 | 1,325 | 2,487 | 1,777 | 2,211 | 2,053 | 1,777 | 1,991 | 1,839 |
| Food Safety Fund | 168 | 2,224 | 1,834 | 558 | 2,242 | 2,077 | 723 | 2,243 | 2,042 | 924 |
| Foster and Small Family Insurance Fund | 221 | -- | -134 | 355 | -- | -- | 355 | -- | -- | 355 |
| Funeral Directors and Embalmers Fund, St | 153 | 733 | 668 | 218 | 786 | 931 | 73 | 782 | 843 | 12 |
| Gaming Registration Fee Account | 384 | 419 | 463 | 340 | 1,050 | 1,132 | 258 | 1,050 | 922 | 386 |
| Garment Manufacturers Special Account | 122 | 149 | 2 | 269 | 125 | 50 | 344 | 125 | 50 | 419 |
| General Growth Subacct Sales Tax Growth | -- | 6,572 | 6,572 | -- | 56,963 | 56,963 | -- | 42,404 | 42,404 | -- |
| Genetic Disease Testing Fund | 7,441 | 43,911 | 41,001 | 10,351 | 53,387 | 55,745 | 7,993 | 57,297 | 61,963 | 3,327 |
| Geology and Geophysics Fund | 334 | 1,032 | 584 | 782 | 669 | 782 | 669 | 678 | 686 | 661 |
| Geothermal Resources Development Account | 29 | 5,855 | 5,855 | 29 | 4,674 | 4,674 | 29 | 4,674 | 4,674 | 29 |
| Glass Processing Fee Account | 1,457 | 21,727 | 18,784 | 4,400 | 25,940 | 25,819 | 4,521 | 30,910 | 31,300 | 4,131 |
| Graphic Design License Plate Account | -- | -- | -- | -- | 517 | 333 | 184 | 342 | 440 | 86 |
| Guide Dogs for the Blind Fund | -- | 96 | 43 | 53 | 11 | 51 | 13 | 54 | 62 | 5 |
| Habitat Conservation Fund | 24,044 | 23,864 | 30,358 | 17,550 | 27,197 | 43,424 | 1,323 | 27,139 | 27,169 | 1,293 |
| Hazardous & Idle-Deserted Well Abate Fnd | 26 | 61 | 42 | 45 | 50 | 50 | 45 | 50 | 50 | 45 |
| Hazardous Liquid Pipeline Safety Calif | 362 | 1,367 | 1,313 | 416 | 1,631 | 1,652 | 395 | 1,631 | 1,693 | 333 |
| Hazardous Materials Enforce Train Act | 15 | 2 | -- | 17 | 2 | -- | 19 | 2 | -- | 21 |
| Hazardous Spill Prevention Act, RAPRF | 1,232 | 3,251 | 3,098 | 1,385 | 2,976 | 3,236 | 1,125 | -- | 541 | 584 |
| Hazardous Subst Clearing Account | 1,843 | 4,113 | 5,084 | 872 | 5,055 | 4,540 | 1,387 | 6,359 | 4,002 | 3,744 |
| Hazardous Substance Subaccount | -791 | 5,071 | 5,045 | -765 | 5,964 | 5,010 | 1,89 | 5,000 | 5,189 | -- |
| Hazardous Waste Control Account | 3,656 | 73,304 | 70,658 | 6,302 | 61,611 | 65,502 | 2,411 | 55,469 | 57,879 | 1 |
| Hazardous Waste Mgmt Planning Subaccount | 3 | -3 | -- | -- | -- | -- | -- | -- | -- | -- |
| Health Data & Planning Fund, CA | 2,234 | 10,929 | 9,896 | 3,267 | 11,133 | 10,308 | 4,092 | 11,346 | 10,365 | 5,073 |
| Health Ed Act, Cig & Tob Pr Surtax | 27,162 | 95,335 | 59,894 | 62,603 | 91,384 | 52,792 | 101,195 | 46,516 | 53,595 | 94,116 |
| Health Statistics Special Fund | -- | -- | -- | -- | 11,213 | 9,752 | 1,461 | 8,166 | 8,142 | 1,485 |
| Health Subaccount, Sales Tax Account | -- | 187,805 | 187,805 | -- | 230,009 | 230,009 | -- | 294,324 | 294,324 | -- |
| Hearing Aid Dispensers Fund | 71 | 506 | 461 | 116 | 485 | 441 | 160 | 478 | 638 | -- |
| Higher Education Earthquake Account 1987 | 1,884 | -- | -1,333 | 3,217 | -- | 3,217 | -- | -- | -- | -- |

SCHEDULE 10

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1994, 1995, 1996 AND 1997--Continued
(Dollars in Thousands)

| Fund | Reserves June 30, 1994 | Actual Income 1994-95 | Actual Expenditures 1994-95 | Reserves June 30, 1995 | Estimated Income 1995-96 | Estimated Expenditures 1995-96 | Reserves June 30, 1996 | Estimated Income 1996-97 | Estimated Expenditures 1996-97 | Reserves June 30, 1997 |
|--|---------------------------|-----------------------------|-----------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|
| Higher Education Fees and Income-CSU | -- | 571,719 | 571,719 | -- | 578,334 | 578,334 | -- | 583,390 | 583,390 | -- |
| Highway Account, State, STF | 145,355 | 2,066,956 | 1,832,225 | 380,086 | 2,304,586 | 2,188,940 | 495,732 | 2,388,204 | 2,348,152 | 527,784 |
| Highway Users Tax Account, TTF | -- | 920,913 | 920,913 | -- | 961,614 | 961,614 | -- | 977,111 | 977,111 | -- |
| Home Furnish & Thermal Insulat Fd, Surea | 627 | 3,476 | 2,917 | 1,186 | 2,306 | 2,893 | 599 | 3,352 | 2,882 | 1,069 |
| Hospital Building Fund | 11,966 | 13,899 | 20,156 | 5,709 | 15,010 | 17,253 | 3,466 | 15,402 | 18,425 | 443 |
| Hospital Svc Act, Cig & Tob Pr Surax | 4,133 | 140,105 | 133,460 | 10,778 | 132,983 | 129,168 | 14,593 | 129,864 | 129,161 | 15,296 |
| Illegal Drug Lab Cleanup Account | -- | -- | -- | -- | -- | -- | -- | 2,710 | 2,710 | -- |
| In-Home Supportive Service Reg Model STA | 2,125 | -- | 2,075 | 50 | -- | -- | -- | -- | -- | -- |
| Indigent Health Equity Sub, SalesTaxGrt | -- | 507 | 507 | -- | 4,393 | 4,393 | -- | 3,270 | 3,270 | -- |
| Industrial Development Fund | 849 | 393 | 393 | 849 | 472 | 430 | 891 | 472 | 430 | 933 |
| Industrial Medicine Fund | 1,497 | 1,745 | 877 | 2,365 | 1,000 | 1,737 | 1,628 | 1,000 | 1,791 | 837 |
| Industrial Rel Construction Enforce Fd | -- | -- | -- | -- | 50 | 50 | 21 | 50 | 50 | 21 |
| Infant Botulism Treatment & Prevention | -- | -- | -- | -- | -- | -- | -- | 190 | 190 | -- |
| Inland Wetlands Cons Fd, Wildlife Rest | 765 | 1,120 | 1 | 1,884 | 231 | -- | 2,115 | 206 | -- | 2,321 |
| Insurance Fund | 22,015 | 100,273 | 111,944 | 10,344 | 122,497 | 131,885 | 956 | 116,097 | 114,992 | 2,061 |
| Integrated Waste Management Act | 8,171 | 38,249 | 38,909 | 7,511 | 36,766 | 40,214 | 4,063 | 36,992 | 39,383 | 1,672 |
| Justice DNA Testing Fund, Department of | -- | -- | -- | -- | 1 | -- | 1 | 1 | -- | 2 |
| Justice Sexual Habitual Offender, Deptol | 350 | 1,554 | 1,574 | 330 | 1,924 | 1,692 | 562 | 1,835 | 1,579 | 818 |
| Landscape Architects Fund, Cal St Bd of | 362 | 493 | 449 | 406 | 504 | 498 | 412 | 521 | 584 | 349 |
| Leaking Undergrd Stor Tank Cost Recovery | 11,123 | 5,314 | 4,978 | 11,459 | 5,620 | 5,651 | 11,428 | 5,620 | 8,127 | 8,921 |
| Licensed Midwifery Fund | 48 | -- | 39 | 9 | 30 | 35 | 4 | 40 | 41 | 3 |
| Lifetime License Trust Act, Fish & Game | 222 | 26 | -- | 248 | 26 | -- | 274 | 26 | -- | 300 |
| Loc Pub Prosecutors & Pub Defenders Trng | 129 | 859 | 789 | 199 | 859 | 791 | 267 | 859 | 794 | 332 |
| Local Agency Deposit Fund | 137 | 147 | 170 | 114 | 175 | 280 | 9 | 126 | 126 | 9 |
| Local Airport Loan Account | 7,471 | 1,370 | 1,015 | 7,826 | 1,100 | 1,000 | 7,926 | 1,100 | 1,000 | 8,026 |
| Local Govt Geothermal Resource Subact | 2,333 | 2,681 | 2,58 | 4,756 | 2,287 | 5,847 | 1,196 | 2,288 | 3,337 | 147 |
| Local Jurisdiction Energy Assistance | 3,459 | 134 | 440 | 4,033 | 204 | 1,299 | 2,938 | 308 | -- | 3,246 |
| Local Revenue Fund | -- | 385 | 385 | -- | 389 | 389 | -- | 394 | 394 | -- |
| Long Term Management Strategy Completion | -- | -- | -- | -- | -- | -- | -- | 210 | 210 | -- |
| Long Term Management Strategy Study Fund | 149 | 218 | 217 | 150 | -- | 150 | -- | -- | -- | -- |
| Loss Control Certification Fund | -- | -- | -- | -- | 2,412 | 368 | 2,044 | 1,068 | 735 | 2,377 |
| Low-Level Radioactive Waste Disposal Fnd | 100 | 2,056 | 998 | 1,158 | 260 | 1,166 | 252 | 1,260 | 1,213 | 299 |
| Major Risk Insurance Fund | 11,143 | 27,866 | 26,989 | 12,020 | 30,000 | 38,128 | 3,892 | 32,000 | 32,792 | 3,100 |
| Mandates Claims Fund, State | 1,336 | -- | 332 | 1,668 | -- | 582 | 1,086 | -- | -- | 1,086 |
| Medical Examiners, Board of, Confling | 5,279 | 30,975 | 30,991 | 5,263 | 30,658 | 32,786 | 3,135 | 31,176 | 32,628 | 1,683 |
| Medical Waste Management Fund | 373 | 1,105 | 796 | 682 | 978 | 911 | 749 | 1,028 | 921 | 856 |
| Mental Health Equity Sub, SalesTx Growth | -- | 401 | 401 | -- | 3,476 | 3,476 | -- | 2,588 | 2,588 | -- |
| Mental Health Subaccount, Sales Tax Act | -- | 695,103 | 695,103 | -- | 727,479 | 727,479 | -- | 751,805 | 751,805 | -- |
| Mine Reclamation Account | 443 | 1,226 | 1,121 | 548 | 1,041 | 1,150 | 439 | 1,041 | 1,160 | 320 |
| Missing Children Reward Fund | 24 | -- | -- | 24 | -- | 2 | 22 | -- | 2 | 20 |
| Mosquito-borne Disease Surveillance Act | 205 | 4,341 | 3,966 | 580 | 3,858 | 4,134 | 304 | 4,019 | 4,197 | 126 |
| Motor Vehicle Account, STF | 37 | 22 | 24 | 35 | 23 | 28 | 30 | 23 | 31 | 22 |
| Motor Vehicle Fuel Account | 1,081,795 | 1,051,991 | 1,051,991 | 64,592 | 1,095,771 | 1,136,763 | 23,600 | 1,164,836 | 1,163,031 | 25,405 |
| Motor Vehicle Insurance Account | 251,734 | -16,465 | 38,717 | 196,552 | 50,533 | 42,102 | 204,803 | 44,393 | 41,973 | 207,223 |
| Motor Vehicle License Fee Account, State | -1,496 | 21,973 | 20,145 | 332 | 18,486 | 18,818 | -- | 23,657 | 23,478 | 179 |
| Motor Vehicle License Fee Account, TTF | -- | 2,375,833 | 2,375,833 | -- | 2,466,200 | 2,466,200 | -- | 2,571,900 | 2,571,900 | -- |
| Motor Vehicle Parking Facil Moneys Act | 291 | 4,103 | 3,881 | 513 | 4,468 | 4,981 | -- | 5,754 | 5,754 | -- |
| Narc Assist & Relinquish Crim Offend Fd | 24 | 521 | 544 | 1 | -- | -- | 1 | -- | -- | 1 |

SCHEDULE 10
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1994, 1995, 1996 AND 1997--Continued
(Dollars in Thousands)

| Fund | Reserves June 30, 1994 | Actual Income 1994-95 | Actual Expenditures 1994-95 | Reserves June 30, 1995 | Estimated Income 1995-96 | Estimated Expenditures 1995-96 | Reserves June 30, 1996 | Estimated Income 1996-97 | Estimated Expenditures 1996-97 | Reserves June 30, 1997 |
|---|---------------------------|-----------------------------|-----------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|
| Narcotic Treatment Program Licensing Tr | 22 | 809 | 791 | 40 | 1,049 | 904 | 185 | 1,026 | 917 | 294 |
| Native Species Conserv & Enhancement Acc | 33 | -22 | -- | 11 | 80 | -- | 91 | 80 | -- | 171 |
| New Motor Vehicle Board Account | 115 | 1,452 | 1,176 | 391 | 1,570 | 1,483 | 478 | 1,570 | 1,511 | 537 |
| Nuclear Planning Assessment Special Ac | 477 | 2,891 | 1,970 | 1,398 | 2,970 | 3,816 | 552 | 2,970 | 3,046 | 476 |
| Nursing Home Admin St Lic Exam Bd Fund | 107 | 602 | 506 | 203 | 390 | 473 | 120 | 382 | 501 | 1 |
| Occupancy Compliance Monitoring Account | -- | -- | -- | -- | -- | -- | -- | 8,497 | 472 | 8,025 |
| Occupational Lead Poisoning Prev Act, GF | 1,709 | 2,507 | 1,529 | 2,687 | 2,100 | 1,895 | 2,892 | 2,100 | 2,195 | 2,797 |
| Off Highway License Fee Fund | 483 | 838 | 838 | 483 | 850 | 850 | 483 | 850 | 850 | 483 |
| Off-Highway Vehicle Trust Fund | 16,450 | 26,804 | 28,091 | 15,163 | 29,084 | 33,608 | 10,639 | 31,961 | 37,827 | 4,773 |
| Oil Refinery & Chem Plant Safety Fd, Cal | 56 | 317 | 339 | 34 | 426 | 431 | 29 | -- | 3 | 26 |
| Oil Spill Prevention & Administration Fd | 5,894 | 21,063 | 21,587 | 5,370 | 21,186 | 22,054 | 4,502 | 20,855 | 22,451 | 2,906 |
| Oil Spill Response Trust Fund | 51,459 | 3,911 | 6,695 | 48,765 | 5,872 | 1,970 | 52,667 | 3,653 | 3,061 | 53,259 |
| Olympic Training Account, California | 27 | 97 | -- | 124 | -102 | -- | 22 | -10 | -- | 12 |
| Optometry Fund, State | 348 | 972 | 791 | 529 | 987 | 1,013 | 503 | 990 | 1,020 | 473 |
| Osteopathic Medical Bd of Calif Contin Fd | 150 | 818 | 529 | 439 | 748 | 637 | 550 | 748 | 648 | 650 |
| Outer Cont Shelf Land Act Sec 8g Rev Fnd | 9,418 | 9,652 | 7,909 | 11,161 | -11,161 | -- | -- | -- | -- | -- |
| Outpatient Settling Fd of Medical Board | -- | 150 | 14 | 136 | 9 | 72 | 73 | 17 | 88 | 2 |
| Parks and Rec Act, St, Parks & Rec Fd | 6,277 | 74,344 | 80,233 | 388 | 96,832 | 97,107 | 113 | 81,003 | 81,003 | 110 |
| Peace Officers Training Fund | 7,641 | 30,486 | 29,230 | 8,897 | 32,773 | 34,044 | 7,626 | 33,326 | 40,952 | -- |
| Perennial Insurance Fund | 11,418 | 59,863 | 55,824 | 15,457 | 60,115 | 60,572 | 15,000 | 61,000 | 61,000 | 15,000 |
| Personal Income Tax Fund | -- | -- | 50 | -50 | -- | 2 | -52 | -- | -- | -52 |
| Pesticide Regulation Fund, Dept of | 6,562 | 34,059 | 30,838 | 9,783 | 33,319 | 31,749 | 11,353 | 33,379 | 30,974 | 13,758 |
| Petro Undergrnd Storage Tank Financ Act | 11,001 | 5,045 | 6,968 | 9,078 | 7,356 | 8,768 | 7,666 | 5,476 | 7,799 | 5,343 |
| Pharmacy Board Contingent Fund | 1,936 | 4,318 | 4,647 | 1,607 | 5,379 | 4,965 | 2,021 | 5,372 | 5,018 | 2,375 |
| Physical Therapy Fund | 122 | 1,103 | 919 | 306 | 1,179 | 1,168 | 317 | 1,243 | 1,555 | 5 |
| Physician Assistant Fund | 965 | 692 | 639 | 1,018 | 731 | 734 | 1,015 | 795 | 750 | 1,060 |
| Physician Svc Act, Cig & Tob Pr Surtax | 2,746 | 21,836 | 20,248 | 4,334 | 19,741 | 18,501 | 5,574 | 72,424 | 67,797 | 10,201 |
| Pilot Commissioners Fund | 1,598 | 409 | 946 | 1,061 | 572 | 1,546 | 87 | 1,870 | 1,522 | 435 |
| Podiatric Medicine Fund, Board of | 94 | 809 | 785 | 118 | 911 | 865 | 164 | 826 | 984 | 6 |
| Pressure Vessel Account | 212 | 3,594 | 3,455 | 351 | 3,650 | 3,236 | 765 | 3,650 | 3,245 | 1,170 |
| Private Investigator Fund | 79 | 5,371 | 4,544 | 906 | -115 | 611 | 180 | 703 | 647 | 236 |
| Private Postsecond Education Admin Fund | 2,310 | 4,886 | 3,855 | 3,341 | 4,566 | 5,601 | 2,306 | 4,545 | 5,241 | 1,610 |
| Private Security Services Fund | -- | -- | -- | -- | 5,756 | 4,852 | 904 | 4,819 | 5,394 | 329 |
| Professional Engineer & Land Surveyor Fd | 2,554 | 5,640 | 5,669 | 2,525 | 5,338 | 6,066 | 1,797 | 6,201 | 6,464 | 1,534 |
| Professional Forester Registration Fund | 168 | 178 | 145 | 201 | 170 | 181 | 150 | 170 | 170 | 161 |
| Propane Safety Insp/Enforcmt Prog Trust | -- | -- | -- | -- | 151 | 151 | -- | 151 | 151 | -- |
| Property Acquisition Law Money Account | 1,340 | 1,390 | 1,735 | 995 | 4,352 | 2,878 | 2,469 | 2,876 | 3,521 | 1,824 |
| Psychiatric Technicians Account | 186 | 1,033 | 1,040 | 179 | 1,097 | 1,179 | 97 | 1,097 | 898 | 296 |
| Psychology Fund | 703 | 2,259 | 2,535 | 427 | 2,999 | 2,775 | 651 | 3,011 | 2,775 | 887 |
| Pub Sch Plng Design & Constr Rev Relv Fd | 3,741 | 11,045 | 10,786 | 4,000 | 9,424 | 9,576 | 3,848 | 9,424 | 9,818 | 3,454 |
| Publ Fac & Loc Agency Disastr Respons Acc | 38,732 | 1,293 | 12,153 | 27,872 | 68 | 27,940 | -- | -- | -- | -- |
| Publ Utilities Comm Utilities Reimb Act | 3,220 | 49,753 | 46,249 | 6,724 | 49,976 | 52,608 | 4,092 | 49,976 | 49,039 | 5,029 |
| Public Res Act, Cig & Tob Pr Surtax | 4,639 | 19,959 | 22,141 | 2,457 | 18,919 | 18,957 | 2,419 | 17,916 | 18,908 | 1,427 |
| Public Util Comm Transport Reimb Act | 5,323 | 8,589 | 9,565 | 4,347 | 9,276 | 8,916 | 4,707 | 8,690 | 8,436 | 4,961 |
| PET Processing Fee Act, Rev Cont Rec Fd | -- | -- | -- | -- | 3,752 | 3,752 | -- | -- | -- | -- |
| Radiation Control Fund | 3,224 | 15,767 | 8,584 | 10,407 | 15,377 | 9,625 | 16,159 | 15,838 | 9,760 | 22,237 |
| Radon Contractor Certification Fund | 39 | 8 | 2 | 45 | 5 | 7 | 43 | 5 | 6 | 42 |
| Rail Accident Prevention & Response Fund | 824 | -580 | -- | 244 | -244 | -- | -- | -- | -- | -- |

SCHEDULE 10

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1994, 1995, 1996 AND 1997--Continued
(Dollars in Thousands)

| Fund | Reserves June 30, 1994 | Actual Income 1994-95 | Actual Expenditures 1994-95 | Reserves June 30, 1995 | Estimated Income 1995-96 | Estimated Expenditures 1995-96 | Reserves June 30, 1996 | Estimated Income 1996-97 | Estimated Expenditures 1996-97 | Reserves June 30, 1997 |
|---|---------------------------|-----------------------------|-----------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|
| Real Estate Appraisers Regulation Fund | 8,472 | 1,157 | 3,061 | 6,568 | 1,776 | 3,787 | 4,557 | 6,506 | 3,767 | 7,296 |
| Real Estate Commissioner's Fund | 8,926 | 22,814 | 24,621 | 7,119 | 22,361 | 26,097 | 3,383 | 22,404 | 25,666 | 121 |
| Recycling Market Development Rev Loan | 9 | 5,672 | 5,681 | -- | 6,193 | 6,193 | -- | 6,762 | 6,762 | -- |
| Reg Environmental Health Specialist Fd | 30 | 152 | 144 | 38 | 194 | 155 | 77 | 134 | 172 | 39 |
| Registered Nurse Education Fund | 317 | 627 | 656 | 288 | 646 | 639 | 295 | 646 | 621 | 320 |
| Registered Nursing Fund, Board of | 7,289 | 12,057 | 10,771 | 8,575 | 11,921 | 13,177 | 7,319 | 11,817 | 12,328 | 6,808 |
| Registered Veterinary Techn Exam Comm Fd | 16 | 95 | 86 | 25 | 105 | 95 | 35 | 112 | 97 | 90 |
| Research Act, Cig & Tob Pr Surtax | 22,380 | 24,157 | 5,733 | 40,804 | 23,671 | 5,744 | 58,731 | 5,852 | 5,901 | 58,682 |
| Residential Earthquake Recovery Fund, CA | 7,631 | -- | 1,022 | 6,609 | -- | 1,659 | 4,950 | -- | 3,241 | 1,709 |
| Respiratory Care Fund | 342 | 1,344 | 1,486 | 200 | 1,542 | 1,646 | 96 | 2,051 | 2,147 | -- |
| Restitution Fund | 6,020 | 83,642 | 92,204 | -2,542 | 94,214 | 89,384 | 2,288 | 95,445 | 90,088 | 7,645 |
| Retail Sales Tax Fund | -- | -- | 19 | -19 | -- | 24 | -43 | -- | -- | -43 |
| Rural Economic Development Fund | 5,422 | 467 | 5,252 | 637 | 197 | 465 | 369 | 163 | 519 | 13 |
| Safe Drinking Water Account | 3,307 | 7,001 | 6,368 | 3,940 | 7,250 | 7,401 | 3,789 | 7,294 | 7,341 | 3,742 |
| Sale of Tobacco to Minors Control Act | -- | -444 | -796 | 352 | -300 | -277 | 329 | -- | -230 | 559 |
| Satellite Wagering Account | 335 | 10,748 | 10,219 | 864 | 10,280 | 10,864 | 414 | 27 | 441 | -- |
| Savings Association Spec Fund | 1,025 | 82 | 281 | 826 | 45 | 457 | -- | -- | 45 | -- |
| School Building Safety Fund | -- | 136 | 136 | -- | 73 | 73 | -- | 11,646 | 11,646 | -- |
| School Fund, State | -- | 14,207 | 14,207 | -- | 9,084 | 9,084 | -- | 2,750 | -- | 18,360 |
| School Land Bank Fund | 12,081 | 819 | -- | 12,900 | 2,710 | -- | 15,610 | -- | -- | -- |
| Seismic Gas Valve Cert Fee Act | -2 | -- | -- | -2 | 78 | 78 | -- | 77 | 77 | -- |
| Seismic Hazard Identification Fund | 43 | 800 | 754 | 89 | 800 | 889 | -- | 800 | 800 | -- |
| Seismic Safety Retrofit Account, STF | 4,889 | 25,349 | 30,065 | 173 | 8,348 | 8,521 | -- | -- | -- | -- |
| Self-Insurance Plans Fund | 658 | 2,916 | 1,922 | 1,652 | 2,829 | 2,844 | 1,637 | 2,829 | 2,866 | 1,600 |
| Senate Operating Fund | 798 | -- | 490 | 308 | -- | -- | 308 | -- | -- | 308 |
| Sexual Predator Public Information Act | -- | 500 | 441 | 59 | 475 | 459 | 75 | 525 | 420 | 180 |
| Site Remediation Account | 2,286 | 114 | 3 | 2,397 | 114 | 25 | 2,486 | 114 | 3 | 2,597 |
| Site Operation and Maintenance Account | -287 | 1,290 | 1,003 | -- | 1,003 | 1,003 | -- | -- | -- | -- |
| Social Services Subaccount, Sales Tax Act | -- | 518,429 | 518,429 | -- | 533,555 | 533,555 | -- | 546,879 | 546,879 | -- |
| Soil Conservation Fund | -- | 985 | 971 | 14 | 985 | 976 | 23 | 1,015 | 994 | 44 |
| Solid Waste Disposal Site Cleanup Tr Fd | 4 | 5,456 | 5,000 | 460 | 5,460 | 5,270 | 650 | 5,450 | 5,139 | 961 |
| Special Account for Capital Outlay | 3,599 | -- | 2,372 | 1,227 | -- | 1,227 | -- | -- | -- | -- |
| Special Equity Subaccount, STGA | -- | 830 | 830 | -- | 16,098 | 16,098 | -- | 5,354 | 5,354 | -- |
| Speech-Language Pathology & Audiology | 517 | 361 | 264 | 614 | 373 | 319 | 668 | 136 | 348 | 456 |
| State Audit Fund | 935 | -- | -422 | 1,357 | -- | -- | 1,357 | -- | -- | 1,357 |
| State Hospital Mental Health Equity, STGA | -- | 712 | 712 | -- | 6,171 | 6,171 | -- | 4,594 | 4,594 | -- |
| State Law Library Special Account Calif | 151 | 485 | 389 | 247 | 500 | 617 | 130 | 500 | 617 | 13 |
| State Police Fund, California | 2 | -- | 2 | -- | -- | -- | -- | -- | -- | -- |
| Street and Highway Account-NDA Fund | 5,455 | 87 | 4,916 | 626 | 33 | 659 | -- | -- | -- | -- |
| Strong Motion Instrumentation Spec Fund | 79 | 2,044 | 2,014 | 109 | 2,050 | 2,159 | -- | 2,050 | 2,050 | -- |
| Structural Pest Control Educ&Enforcement Fd | 68 | 250 | 190 | 128 | 206 | 207 | 127 | 206 | 205 | 128 |
| Structural Pest Control Fund | 2,199 | 2,798 | 2,431 | 2,566 | 3,086 | 2,838 | 2,814 | 3,196 | 3,046 | 2,964 |
| Structural Pest Control Research Fund | 222 | 100 | 71 | 251 | 91 | 114 | 228 | 89 | 92 | 225 |
| Subsequent Injuries Money's Account | 1,999 | 2,265 | 1,075 | 2,289 | 3,300 | 3,300 | 2,289 | 3,300 | 3,300 | 2,289 |
| Surface Impoundment Assessment Account | 841 | 159 | 55 | 945 | -- | 197 | 748 | -- | -- | 748 |
| Surface Mining and Reclamation Account | -- | 2,027 | 1,374 | 653 | 1,471 | 1,457 | 667 | 2,050 | 1,457 | 1,260 |
| Tax Credit Allocation Fee Account | 9,288 | 5,683 | 1,372 | 13,599 | 5,208 | 1,702 | 17,105 | -3,090 | 1,264 | 12,751 |
| Tax Preparers Fund | 1,138 | 1,426 | 848 | 1,716 | -939 | 690 | 87 | 1,465 | 808 | 744 |

SCHEDULE 10
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1994, 1995, 1996 AND 1997--Continued
(Dollars in Thousands)

| Fund | Reserves June 30, 1994 | Actual Income 1994-95 | Actual Expenditures 1994-95 | Reserves June 30, 1995 | Estimated Income 1995-96 | Estimated Expenditures 1995-96 | Reserves June 30, 1996 | Estimated Income 1996-97 | Estimated Expenditures 1996-97 | Reserves June 30, 1997 |
|--|---------------------------|-----------------------------|-----------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|
| Tax Relief and Refund Account | -- | -- | 123 | -123 | -- | 105 | -228 | -- | -- | -228 |
| Teacher Credentials Fund | 2,032 | 10,835 | 9,969 | 2,898 | 11,258 | 11,450 | 2,706 | 11,681 | 11,681 | 2,283 |
| Technical Assistance Fund | -- | -- | -- | -- | -- | -- | -- | 1,095 | 810 | 285 |
| Test Development and Admin Acct. Tc Fd | 827 | 5,772 | 5,625 | 974 | 3,371 | 4,107 | 238 | 3,595 | 3,559 | 274 |
| Tire Recycling Management Fund, Calif | 1,339 | 4,066 | 3,819 | 1,586 | 3,905 | 3,753 | 1,738 | 3,984 | 4,770 | 952 |
| Tissue Bank License Fund | 76 | 124 | 141 | 59 | 120 | 115 | 64 | 120 | 92 | 92 |
| Transcript Reimbursement Fund | -- | 306 | 255 | 51 | 300 | 291 | 60 | -- | -- | 60 |
| Transport Planning & Develop Acct, STF | 18,278 | 169,575 | 162,513 | 25,340 | 190,434 | 201,041 | 14,733 | 198,318 | 197,624 | 15,427 |
| Transportation Rate Fund | 12,546 | 22,548 | 20,114 | 14,980 | 7,831 | 12,596 | 10,215 | 7,831 | 11,994 | 6,052 |
| Traumatic Brain Injury Fund | 104 | 500 | 500 | 104 | 500 | 500 | 104 | 500 | 500 | 104 |
| Travel Seller Fund | -- | 154 | -- | 154 | 800 | 812 | 142 | 800 | 771 | 171 |
| Trustline Voluntary Registration Fund | -- | 20 | -- | 8 | 500 | 457 | 51 | 550 | 461 | 140 |
| Unallocated Acct, Cig & Tob Pr Surtax | -6,788 | 64,811 | 51,077 | 6,946 | 59,859 | 65,469 | 1,336 | 64,099 | 63,355 | 2,080 |
| Underground Storage Tank Cleanup Fund | 101,597 | 98,316 | 128,955 | 70,958 | 112,242 | 145,042 | 38,158 | 146,103 | 155,281 | 28,980 |
| Underground Storage Tank Fund | 2,359 | 458 | 548 | 2,269 | 1,254 | 869 | 2,654 | 107 | 472 | 2,289 |
| Underground Storage Tank Tester Account | 61 | 49 | 54 | 56 | 44 | 51 | 49 | 40 | 51 | 38 |
| Unified Program Account | -- | -- | -- | -- | 190 | 190 | -- | 2,666 | 1,971 | 695 |
| Used Oil Recycling Fund, California | 23,404 | 23,925 | 17,012 | 30,317 | 23,526 | 25,741 | 28,102 | 23,961 | 24,178 | 27,885 |
| Vehicle Inspection and Repair Fund | 14,963 | 83,410 | 91,312 | 7,061 | 93,400 | 97,828 | 2,633 | 94,783 | 97,387 | 29 |
| Vehicle License Collection Acct, LRP | -- | 11,000 | 11,000 | -- | 14,000 | 14,000 | -- | 14,000 | 14,000 | -- |
| Vehicle License Fee Account | -- | 716,783 | 716,783 | -- | 759,115 | 759,115 | -- | 788,003 | 788,003 | -- |
| Vehicle License Fee Growth Account | -- | 42,332 | 42,332 | -- | 28,888 | 28,888 | -- | 33,799 | 33,799 | -- |
| Veterans Memorial Account | 236 | 169 | 82 | 323 | 172 | 172 | 416 | 172 | 79 | 509 |
| Veterans Service Office Fund | -- | -- | -- | -- | 300 | 221 | 79 | 390 | 221 | 248 |
| Veterinary Medical Board Contingent Fund | 271 | 979 | 933 | 317 | 1,112 | 1,111 | 318 | 1,112 | 1,207 | 223 |
| Victim Witness Assistance Fund | 1,333 | 14,863 | 16,167 | 29 | 16,442 | 16,449 | 22 | 16,726 | 16,744 | 4 |
| Vietnam Veterans Memorial Account | 61 | 3 | -- | 64 | 3 | -- | 67 | 3 | -- | 70 |
| Vital Record Improvement Account, State | 2,139 | 3,089 | 2,281 | 2,947 | -1,807 | -- | 1,140 | -- | -- | 1,140 |
| Vocational Nurse Examiners Fund | 762 | 3,232 | 3,522 | 472 | 3,430 | 3,614 | 288 | 3,303 | 3,202 | 389 |
| Waste Discharge Permit Fund | 8,446 | 12,283 | 10,617 | 10,112 | 11,601 | 16,928 | 4,785 | 9,351 | 13,167 | 969 |
| Water Device Certification Special Acct | 42 | 39 | 7 | 74 | 47 | 62 | 59 | 100 | 53 | 106 |
| Water Fund, California | 1,419 | 6,424 | 5,939 | 1,904 | 9,220 | 9,728 | 1,396 | 11,378 | 12,016 | 758 |
| Waterfowl Habitat Preservation Acct, Cal | 2,795 | 154 | 143 | 2,806 | 46 | -- | 2,760 | 46 | -- | 2,714 |
| Wildlife Restoration Fund | 72 | 1,555 | 1,000 | 627 | 1,799 | 2,199 | 227 | 2,312 | 2,510 | 29 |
| Wine Safety Fund | -- | 175 | 62 | 113 | 173 | 173 | 114 | 174 | 177 | 111 |
| Winter Recreation Fund | 79 | 96 | 114 | 61 | 150 | 150 | 61 | 150 | 150 | 61 |
| Workers' Comp Administration Revolv Fund | 3,274 | 20,267 | 17,782 | 5,759 | 17,574 | 17,515 | 5,818 | 17,574 | 17,794 | 5,598 |
| Workers' Compensation Managed Care Fund | 36 | 1,729 | 746 | 1,019 | 10 | 427 | 602 | 10 | 430 | 182 |
| Workplace Health & Safety Revolving Fund | 908 | 872 | 1,143 | 637 | 872 | 1,016 | 493 | 872 | 701 | 664 |
| Yosemite Foundation Acct, ELFP | -- | 559 | 559 | -- | 456 | 456 | -- | 456 | 456 | -- |
| OTHER UNALLOCATED SPECIAL FUNDS: | | | | | | | | | | |
| Interest Payments to the Federal Govt | -- | -- | -- | -- | -- | 1 | -1 | -- | 1 | -2 |
| Reserve for Contingencies or Emergency | -- | -- | -- | -- | -- | 1,500 | -1,500 | -- | 1,500 | -3,000 |
| State Controller | -- | -- | 99 | -99 | -- | 206 | -305 | -- | 206 | -511 |
| TOTALS, SPECIAL FUNDS | 1,411,099 | 12,231,683 | 11,942,945 | 1,699,837 | 12,859,423 | 12,941,805 | 1,617,455 | 13,281,711 | 13,333,005 | 1,566,161 |
| GRAND TOTALS | 1,520,165 | 55,966,755 | 55,104,403 | 2,382,517 | 57,850,428 | 58,212,845 | 2,020,100 | 58,852,221 | 58,575,200 | 2,297,121 |

SCHEDULE 11
STATEMENT OF BONDED DEBT OF THE STATE OF CALIFORNIA AS OF DECEMBER 31, 1995
GENERAL OBLIGATION BONDS
(Dollars In Thousands)

(This statement does not include bonds issued under authority of State instrumentalities that are not general obligations of the State of California)

| GENERAL FUND BONDS | | Maturity | Authorized | Unsold | Outstanding | Redemptions |
|---|---|-----------|--------------------|--------------------|--------------------|--------------------|
| BUSINESS, TRANSPORTATION AND HOUSING | | | | | | |
| 0788 | California Earthquake Safety and Housing Rehabilitation Bond Act of 1988..... | 1990-2010 | \$150,000 | - | \$110,020 | \$39,980 |
| 0513 | First-Time Homebuyers Bond Act of 1982..... | 1988-1999 | 15,000 | - | 1,785 | 13,215 |
| 0714 | Housing and Homeless Bond Act of 1988..... | 1990-2001 | 300,000 | - | 150,120 | 149,880 |
| 0714 | Housing and Homeless Bond Act of 1988..... | 1991-2022 | 150,000 | - | 102,775 | 47,225 |
| 0703 | Clean Air and Transportation Improvement Bond Act of 1990..... | 1991-2025 | 1,990,000 | \$1,073,000 | 724,000 | 193,000 |
| 0756 | Passenger Rail and Clean Air Bond Act of 1990..... | 1991-2015 | 1,000,000 | 107,900 | 710,450 | 181,650 |
| | Total, Business, Transportation and Housing..... | | \$3,605,000 | \$1,180,900 | \$1,799,150 | \$624,950 |
| NATURAL RESOURCES | | | | | | |
| 0722 | California Park and Recreational Facilities Act of 1984..... | 1985-2024 | \$370,000 | \$15,000 | \$246,185 | \$108,815 |
| 0721 | California Parklands Act of 1980..... | 1982-2024 | 285,000 | - | 106,290 | 178,710 |
| 0707 | California Safe Drinking Water Bond Low of 1976..... | 1981-2011 | 175,000 | 10,000 | 83,250 | 81,750 |
| 0707 | California Safe Drinking Water Bond Low of 1984..... | 1986-2022 | 75,000 | 3,000 | 50,650 | 21,350 |
| 0707 | California Safe Drinking Water Bond Low of 1986..... | 1991-2025 | 100,000 | 32,000 | 57,495 | 10,505 |
| 0793 | California Safe Drinking Water Bond Low of 1988..... | 1991-2025 | 75,000 | 29,000 | 41,730 | 4,270 |
| 0786 | California Wildlife, Coastal, and Park Land Conservation Act of 1988..... | 1990-2025 | 776,000 | 140,000 | 519,225 | 116,775 |
| 0716 | Community Parklands Act of 1986..... | 1990-2022 | 100,000 | - | 78,195 | 21,805 |
| 0748 | Fish and Wildlife Habitat Enhancement Act of 1984..... | 1986-2025 | 85,000 | 4,000 | 54,305 | 26,695 |
| 0720 | Lake Tahoe Acquisitions Bond Act..... | 1986-2014 | 85,000 | 1,000 | 58,830 | 25,170 |
| 0733 | State Beach, Park, Recreational and Historical Facilities Bond Act..... | 1967-2003 | 250,000 | - | 32,125 | 217,875 |
| 0742 | State, Urban and Coastal Park Bond Act of 1976..... | 1978-2023 | 280,000 | 4,000 | 65,770 | 210,230 |
| 0744 | Water Conservation and Water Quality Bond Low of 1986..... | 1993-2024 | 150,000 | 57,000 | 76,920 | 16,080 |
| 0790 | Water Conservation Bond Low of 1988..... | 1991-2025 | 60,000 | 27,000 | 31,020 | 1,980 |
| 0734 | Clean Water Bond Low of 1970..... | 1972-2011 | 250,000 | - | 12,000 | 238,000 |
| 0734 | Clean Water Bond Low of 1974..... | 1978-2011 | 250,000 | - | 51,405 | 198,595 |
| 0740 | Clean Water Bond Low of 1984..... | 1986-2024 | 325,000 | - | 196,380 | 128,620 |
| | Total, Natural Resources..... | | \$3,691,000 | \$322,000 | \$1,761,775 | \$1,607,225 |
| ENVIRONMENTAL QUALITY | | | | | | |
| 0737 | Clean Water and Water Conservation Bond Low of 1978..... | 1981-2024 | \$375,000 | \$5,400 | \$136,345 | \$233,255 |
| 0764 | Clean Water and Water Reclamation Bond Low of 1988..... | 1991-2025 | 65,000 | 17,000 | 33,105 | 14,895 |
| | Total, Environmental Quality..... | | \$440,000 | \$22,400 | \$169,450 | \$248,150 |
| HEALTH AND WELFARE | | | | | | |
| 0710 | Hazardous Substance Cleanup Bond Act of 1984..... | 1986-2005 | \$100,000 | - | \$54,100 | \$45,900 |
| 0729 | Senior Center Bond Act of 1984..... | 1986-2006 | 50,000 | - | 27,250 | 22,750 |
| | Total, Health and Welfare..... | | \$150,000 | - | \$81,350 | \$68,650 |
| YOUTH AND ADULT CORRECTIONAL | | | | | | |
| 0796 | County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988..... | 1991-2025 | \$500,000 | \$42,000 | \$340,705 | \$117,295 |
| 0711 | County Correctional Facility Capital Expenditure Bond Act of 1986..... | 1989-2022 | 495,000 | 2,000 | 390,310 | 102,690 |
| 0725 | County Jail Capital Expenditure Bond Act of 1981..... | 1984-2011 | 280,000 | - | 161,525 | 118,475 |
| 0727 | County Jail Capital Expenditure Bond Act of 1984..... | 1986-2009 | 250,000 | - | 147,000 | 103,000 |
| 0723 | New Prison Construction Bond Act of 1981..... | 1983-2006 | 495,000 | - | 224,750 | 270,250 |
| 0724 | New Prison Construction Bond Act of 1984..... | 1985-2006 | 300,000 | - | 152,500 | 147,500 |
| 0746 | New Prison Construction Bond Act of 1986..... | 1989-2015 | 500,000 | 14,000 | 360,070 | 125,930 |
| 0747 | New Prison Construction Bond Act of 1988..... | 1991-2015 | 817,000 | 16,000 | 626,645 | 174,355 |
| 0751 | New Prison Construction Bond Act of 1990..... | 1991-2015 | 450,000 | 41,000 | 329,250 | 79,750 |
| | Total, Youth and Adult Correctional..... | | \$4,087,000 | \$115,000 | \$2,732,755 | \$1,239,245 |

SCHEDULE 11--Continued
STATEMENT OF BONDED DEBT OF THE STATE OF CALIFORNIA AS OF DECEMBER 31, 1995
GENERAL OBLIGATION BONDS

(This statement does not include bonds issued under authority of State instrumentalities that are not general obligations of the State of California)
(Dollars in Thousands)

| GENERAL FUND BONDS--Continued | | | | | | |
|--|---|-----------|--------------|-------------|--------------|-------------|
| | | Maturity | Authorized | Unsold | Outstanding | Redemptions |
| EDUCATION--K-12 | | | | | | |
| 0794 | California Library Construction and Renovation Bond Act of 1988..... | 1991-2025 | \$75,000 | \$15,000 | \$46,675 | \$13,325 |
| 0776 | 1988 School Facilities Bond Act (Nov)..... | 1991-2024 | 800,000 | 45,000 | 596,390 | 158,610 |
| 0774 | 1990 School Facilities Bond Act (Nov)..... | 1991-2025 | 800,000 | 48,000 | 597,020 | 154,980 |
| 0765 | 1992 School Facilities Bond Act (Nov)..... | 1994-2024 | 900,000 | 65,094 | 791,296 | 43,610 |
| 0789 | School Facilities Bond Act of 1988..... | 1990-2011 | 800,000 | - | 604,070 | 195,930 |
| 0708 | School Facilities Bond Act of 1990..... | 1992-2023 | 800,000 | 55,000 | 623,160 | 121,840 |
| 0745 | School Facilities Bond Act of 1992..... | 1993-2024 | 1,900,000 | 65,000 | 1,678,990 | 156,010 |
| 0743 | State School Building Lease-Purchase Bond Law of 1982..... | 1984-2005 | 500,000 | - | 195,175 | 304,825 |
| 0743 | State School Building Lease-Purchase Bond Law of 1984..... | 1987-2011 | 450,000 | - | 282,500 | 167,500 |
| 0743 | State School Building Lease-Purchase Bond Law of 1986..... | 1990-2011 | 800,000 | - | 586,800 | 213,200 |
| Total, Education--K-12..... | | | \$7,825,000 | \$293,094 | \$6,002,076 | \$1,529,830 |
| HIGHER EDUCATION | | | | | | |
| 0736 | Community College Construction Program Bond Act of 1972..... | 1974-1997 | \$160,000 | - | \$2,000 | \$158,000 |
| 0718 | Health Science Facilities Construction Program Bond Act of 1971..... | 1974-1998 | 155,900 | - | 13,135 | 142,765 |
| 0782 | Higher Education Facilities Bond Act of 1986..... | 1989-2011 | 400,000 | - | 283,500 | 116,500 |
| 0785 | Higher Education Facilities Bond Act of 1988..... | 1990-2025 | 600,000 | \$14,000 | 459,275 | 126,725 |
| 0791 | Higher Education Facilities Bond Act of June 1990..... | 1991-2025 | 450,000 | 29,500 | 341,410 | 79,090 |
| 0705 | Higher Education Facilities Bond Act of June 1992..... | 1993-2025 | 900,000 | 200,000 | 598,855 | 101,145 |
| Total, Higher Education..... | | | \$2,665,900 | \$243,500 | \$1,698,175 | \$724,225 |
| GENERAL GOVERNMENT | | | | | | |
| 0768 | Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990..... | 1991-2020 | \$300,000 | \$250,000 | \$23,900 | \$26,100 |
| Total, General Government..... | | | \$300,000 | \$250,000 | \$23,900 | \$26,100 |
| Total, General Fund Bonds..... | | | \$22,763,900 | \$2,426,894 | \$14,268,631 | \$6,068,375 |
| PARTIALLY SELF-LIQUIDATING BONDS ² | | | | | | |
| State School Building Aid Bonds..... | | 1955-2001 | \$500,000 | \$40,000 | \$28,500 | \$431,500 |
| SELF-LIQUIDATING BONDS ³ | | | | | | |
| California Water Resources Development Bond Act of 1959..... | | 1973-2024 | \$1,750,000 | \$167,600 | \$1,110,960 | \$471,440 |
| Harbor Development Bond Law of 1958 ⁴ | | 1964-1998 | 60,000 | - | 1,615 | 58,385 |
| Veterans Bonds..... | | 1958-2027 | 5,210,000 | 254,370 | 2,895,110 | 2,060,520 |
| Total, Self-Liquidating Bonds..... | | | 7,520,000 | 461,970 | 4,036,185 | 3,021,845 |
| Totals, All General Obligation Bonds..... | | | \$30,283,900 | \$2,888,864 | \$18,304,816 | \$9,090,220 |

¹ Amount authorized was reduced from \$200 million to \$15 million, pursuant to Chapter 116, Statutes of 1993.

² The state school building issues debt service payments are partially refinanced with funds of the borrowing school districts over a 30- to 40-year repayment period as prescribed by statutes.

³ The California Water Resources Development Bond Act, the San Francisco Harbor Improvement Acts, and the Veterans Bond Acts are public service enterprises that have their own revenues to finance their respective debt service expenditures.

⁴ The Harbor Development Bond Law of 1958 includes an authorization of \$50,000,000 for San Francisco harbor development and \$10,000,000 for the development of small craft harbors as provided by Chapter 103, Statutes of 1958, first extraordinary Session.

SCHEDULE 12-A
STATE APPROPRIATIONS LIMIT SUMMARY
(Dollars in Millions)

| | 1994-95 | | | 1995-96 | | | 1996-97 | | |
|--|--------------|---------------|----------|--------------|---------------|----------|--------------|---------------|----------|
| | General Fund | Special Funds | Total | General Fund | Special Funds | Total | General Fund | Special Funds | Total |
| Schedule 8: | | | | | | | | | |
| Revenue and Transfers | \$42,710 | \$12,232 | \$54,942 | \$44,991 | \$12,859 | \$57,850 | \$45,571 | \$13,281 | \$58,852 |
| Less/Add: Transfers | -490 | 245 | -245 | -293 | 165 | -128 | -95 | 27 | -68 |
| Schedule 12-B: | | | | | | | | | |
| Less: Excluded Revenue | -- | -3,257 | -3,257 | -- | -3,354 | -3,354 | -- | -3,360 | -3,360 |
| Schedule 12-C: | | | | | | | | | |
| Less: Non-Tax Revenue | -837 | -295 | -1,132 | -747 | -312 | -1,059 | -517 | -321 | -838 |
| Schedule 12-D: | | | | | | | | | |
| Add: SAL Transfers | 20 | 5 | 25 | 28 | 5 | 33 | 19 | 4 | 23 |
| TOTAL, SAL Revenues and Transfers | \$41,403 | \$8,930 | \$50,333 | \$43,979 | \$9,363 | \$53,342 | \$44,978 | \$9,631 | \$54,609 |
| Schedule 12-E: | | | | | | | | | |
| Less: Exclusions | -14,233 | -4,479 | -18,712 | -15,781 | -4,723 | -20,504 | -16,975 | -4,851 | -21,826 |
| TOTAL, SAL Appropriations | | | \$31,621 | | | \$32,838 | | | \$32,783 |
| CALCULATION OF LIMIT ROOM: | | | | | | | | | |
| Appropriations Limit (Sec. 12.00) | | | \$37,554 | | | \$39,309 | | | \$42,080 |
| Less: Total SAL Appropriations | | | -31,621 | | | -32,838 | | | -32,783 |
| Appropriation Limit Room/(Surplus) | | | \$5,933 | | | \$6,471 | | | \$9,297 |

SCHEDULE 12-B
STATE APPROPRIATIONS LIMIT
REVENUES TO EXCLUDED FUNDS
(Dollars in Thousands)

| Source Code | Source | Actual 1994-95 | Estimated 1995-96 | Estimated 1996-97 |
|--------------------------------|--|-------------------|----------------------|----------------------|
| MAJOR REVENUES: | | | | |
| 110500 | Cigarette Tax | \$465,300 | \$444,300 | \$436,100 |
| 110900 | Horse Racing Fees-Licenses | 27,994 | 27,500 | 27,180 |
| 111100 | Horse Racing Fines and Penalties | 1,256 | 950 | 950 |
| 111300 | Horse Racing Miscellaneous | 7,912 | 8,704 | 8,720 |
| 114300 | Other Motor Vehicle Fees | 828 | 840 | 840 |
| | Total, Major Taxes and Licenses | \$503,290 | \$482,294 | \$473,790 |
| MINOR REVENUES: | | | | |
| REGULATORY TAXES AND LICENSES: | | | | |
| 120200 | General Fish and Game Taxes | \$1,743 | \$1,724 | \$1,528 |
| 120300 | Energy Resource Surcharge | 41,660 | 42,493 | 43,449 |
| 120600 | Quarterly Public Util Commission Fees | 75,981 | 62,325 | 61,739 |
| 120700 | Penalties on Pub Util Comm Qtrly Fees | 5 | 5 | 5 |
| 120900 | Off-Highway Vehicle Fees | 1,244 | 1,300 | 1,300 |
| 121000 | Liquor License Fees | 25,027 | 38,511 | 33,041 |
| 121100 | Genetic Disease Testing Fees | 43,086 | 52,562 | 56,472 |
| 121200 | Other Regulatory Taxes | 54,076 | 53,682 | 54,558 |
| 121300 | New Motor Vehicle Dealer License Fee | 1,403 | 1,535 | 1,535 |
| 121500 | General Fish and Game Lic Tags Permits | 64,520 | 65,674 | 67,845 |
| 122400 | Elevator and Boiler Inspection Fees | 10,742 | 11,041 | 11,041 |
| 122700 | Employment Agency License Fees | 427 | 660 | 660 |
| 122900 | Teacher Credential Fees | 9,019 | 9,435 | 9,435 |
| 123000 | Teacher Examination Fees | 5,704 | 3,331 | 3,553 |
| 123100 | Insurance Ca License Fees & Penalties | 23,318 | 30,911 | 33,185 |
| 123200 | Insurance Company Examination Fees | 10,893 | 16,623 | 16,853 |
| 123300 | Other Insurance Department Fees | 25,588 | 35,470 | 26,444 |
| 123400 | Division of Real Estate Examination Fees | 1,689 | 1,755 | 2,984 |
| 123500 | Div of Real Estate License Fees | 15,275 | 15,329 | 18,135 |
| 123600 | Subdivision Filing Fees | 5,092 | 5,212 | 5,365 |
| 123800 | Building Construction Filing Fees | 1,585 | 1,598 | 1,598 |
| 124000 | Savings & Loan Fees | 18 | 5 | -- |
| 124100 | Domestic Corporation Fees | 4,945 | 5,729 | 6,231 |
| 124200 | Foreign Corporation Fees | 2,344 | 2,262 | 1,429 |
| 124300 | Natary Public License Fees | 678 | 783 | 783 |
| 124400 | Filing Financing Statements | 1,978 | 5,499 | 8,247 |
| 125100 | Beverage Container Redemption Fees | 332,950 | 331,400 | 345,800 |
| 125300 | Processing Fees | 21,734 | 17,630 | 14,000 |
| 125400 | Hazardous Waste Control Fees | 62,165 | 53,261 | 46,812 |
| 125600 | Other Regulatory Fees | 364,971 | 404,929 | 435,210 |
| 125700 | Other Regulatory Licenses and Permits | 207,065 | 220,820 | 226,870 |
| 125800 | Renewal Fees | 119,351 | 120,106 | 123,093 |
| 125900 | Delinquent Fees | 2,786 | 2,605 | 2,671 |
| | Total, Regulatory Taxes and Licenses | \$1,539,062 | \$1,616,205 | \$1,661,871 |
| REVENUE FROM LOCAL AGENCIES: | | | | |
| 130600 | Architecture Public Building Fees | \$23,092 | \$23,160 | \$23,752 |
| 130700 | Penalties on Traffic Violations | 83,164 | 89,596 | 91,131 |
| 130800 | Penalties on Felony Convictions | 13,270 | 18,284 | 18,284 |
| 130900 | Fines -- Crimes of Public Offense | 4,012 | 2,958 | 2,958 |
| 131000 | Fish and Game Violation Fines | 794 | 769 | 769 |
| 131100 | Penalty Assessments on Fish & Game Fines | 331 | 441 | 448 |
| 131200 | Interest on Loans to Local Agencies | 348 | 333 | 322 |
| 131600 | Fingerprint ID Card Fees | 24,014 | 27,035 | 26,035 |
| 131700 | Misc Revenue From Local Agencies | 2,730 | 2,900 | 2,900 |
| 131900 | Rev Local Govt Agencies-Cost Recoveries | -- | 915 | 340 |
| | Total, Revenue from Local Agencies | \$151,755 | \$166,391 | \$166,939 |

SCHEDULE 12-B--Continued
STATE APPROPRIATIONS LIMIT
REVENUES TO EXCLUDED FUNDS
(Dollars in Thousands)

| Source Code | Source | Actual 1994-95 | Estimated 1995-96 | Estimated 1996-97 |
|--|---|-------------------|----------------------|----------------------|
| SERVICES TO THE PUBLIC: | | | | |
| 140600 | State Beech and Pork Service Fees | \$46,451 | \$52,800 | \$53,300 |
| 140900 | Parking Lot Revenues | 5,653 | 6,102 | 7,388 |
| 141100 | Emergency Telephone Users Surcharge | 74,689 | 70,743 | 70,743 |
| 141200 | Sales of Documents | 1,180 | 1,195 | 1,257 |
| 142000 | General Fees--Secretary of State | 7,699 | 8,024 | 8,919 |
| 142200 | Parental Fees | 2,074 | 2,000 | 1,851 |
| 142500 | Miscellaneous Services to the Public | 13,705 | 21,662 | 22,514 |
| 142800 | Californio State University Fees | 571,719 | 578,334 | 583,390 |
| 143000 | Personalized License Plates | 31,948 | 33,685 | 33,592 |
| Total, Services to the Public | | \$755,118 | \$774,545 | \$782,954 |
| USE OF PROPERTY AND MONEY: | | | | |
| 150200 | Income From Pooled Money Investments | \$1,049 | \$879 | \$779 |
| 150300 | Income From Surplus Money Investments | 64,523 | 52,007 | 44,385 |
| 150400 | Interest Income From Loans | 1,165 | 1,827 | 3,038 |
| 150500 | Interest Income From Interfund Loans | 135 | 20 | -- |
| 150600 | Income From Other Investments | 143 | 213 | 318 |
| 151200 | Income From Condemnation Deposits Fund | 1 | 1 | 1 |
| 151800 | Federal Lands Royalties | 24,445 | 17,667 | 20,239 |
| 152200 | Rentals of State Property | 1,902 | 4,649 | 2,765 |
| 152300 | Misc Revenue From Use of Property & Money | 8,342 | 9,014 | 9,906 |
| 152400 | School Lands Royalties | 76 | 10 | 10 |
| Total, Use of Property and Money..... | | \$101,781 | \$86,287 | \$81,441 |
| MISCELLANEOUS: | | | | |
| 160200 | Penalties & Interest on UI & DI Contrib | \$57,100 | \$57,423 | \$57,611 |
| 160400 | Sale of Fixed Assets | 48 | 38 | 38 |
| 160500 | Sale of Confiscated Property | 76 | 76 | 76 |
| 160600 | Sale of State's Public Lands | 142 | 20 | 20 |
| 161000 | Escheat of Unclaimed Checks & Warrants | 258 | 187 | 187 |
| 161300 | Subsequent Injuries Revenue | 2,265 | 3,300 | 3,300 |
| 161400 | Miscellaneous Revenue | 54,844 | 62,649 | 39,206 |
| 161800 | Penalties & Intrst on Personal Income Tx | 9,933 | 9,900 | 9,900 |
| 161900 | Other Revenue - Cost Recoveries | 22,809 | 34,586 | 20,465 |
| 164000 | Uninsured Motorist Fees | 1 | -- | -- |
| 164100 | Traffic Violations | 6,535 | 6,535 | 6,535 |
| 164200 | Parking Violations | 76 | 75 | 75 |
| 164300 | Penalty Assessments | 49,936 | 52,374 | 53,835 |
| 164400 | Civil & Criminal Violation Assessment | 1,704 | 1,576 | 1,576 |
| Total, Miscellaneous | | \$205,727 | \$228,739 | \$192,824 |
| Total, Minor Revenues | | \$2,753,443 | \$2,872,167 | \$2,886,029 |
| Totals, Revenue to Excluded Funds (Major and Minor) | | \$3,256,733 | \$3,354,461 | \$3,359,819 |

SCHEDULE 12-C
STATE APPROPRIATIONS LIMIT
NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT
(Dollars in Thousands)

| | | Actual 1994-95 | | Estimated 1995-96 | | Estimated 1996-97 | |
|--|---|-------------------|------------------|----------------------|------------------|----------------------|------------------|
| | | General Fund | Special Funds | General Fund | Special Funds | General Fund | Special Funds |
| MAJOR REVENUES: | | | | | | | |
| 111100 | Horse Racing Fines and Penalties | \$90 | -- | \$85 | -- | \$85 | -- |
| 111200 | Horse Racing Fees-Unclaimed P-M Tickets | 396 | -- | 400 | -- | 400 | -- |
| 111300 | Horse Racing Miscellaneous | 13 | -- | 20 | -- | 20 | -- |
| 114200 | Driver's License Fees | -- | \$106,466 | -- | \$110,000 | -- | \$115,000 |
| 114300 | Other Motor Vehicle Fees | -- | 32,311 | -- | 35,000 | -- | 37,000 |
| 114400 | Identification Card Fees | -- | 6,485 | -- | 6,300 | -- | 6,100 |
| Total, Major Taxes and Licenses..... | | \$499 | \$145,262 | \$505 | \$151,300 | \$505 | \$158,100 |
| MINOR REVENUES: | | | | | | | |
| REGULATORY TAXES AND LICENSES: | | | | | | | |
| 120800 | Hwy Carrier Uniform Business License Tax | \$6,003 | -- | \$6,000 | -- | \$6,000 | -- |
| 120900 | Off Highway Vehicle Fees | -- | \$2,358 | -- | \$2,300 | -- | \$2,300 |
| 121200 | Other Regulatory Taxes | 10,295 | -- | 9,778 | -- | 10,388 | -- |
| 122400 | Elevator and Boiler Inspection Fees | 154 | -- | 154 | -- | 154 | -- |
| 122600 | Industrial Homework Fees | 10 | -- | 10 | -- | 10 | -- |
| 122700 | Employment Agency License Fees | 453 | -- | 453 | -- | 453 | -- |
| 122800 | Employment Agency Filing Fees | 17 | -- | 17 | -- | 17 | -- |
| 124500 | Candidate Filing Fee | 85 | -- | 861 | -- | 9 | -- |
| 125200 | Explosive Permit Fees | 3 | -- | 3 | -- | 3 | -- |
| 125600 | Other Regulatory Fees | 59,133 | -- | 59,880 | -- | 60,141 | -- |
| 125700 | Other Regulatory Licenses and Permits | 40,658 | 19,065 | 31,868 | 18,400 | 32,057 | 18,400 |
| Total, Regulatory Taxes and Licenses | | \$116,811 | \$21,423 | \$109,024 | \$20,700 | \$109,232 | \$20,700 |
| REVENUE FROM LOCAL AGENCIES: | | | | | | | |
| 130100 | Trial Court Revenues | \$291,877 | -- | \$297,000 | -- | -- | -- |
| 131500 | Narcotic Fines | 2,587 | -- | 2,500 | -- | 2,500 | -- |
| 131700 | Misc Revenue From Local Agencies | 4,223 | \$485 | 4,371 | \$500 | 4,871 | \$500 |
| 131900 | Rev Local Govt Agencies-Cost Recoveries | 2,812 | -- | 1,984 | -- | 1,984 | -- |
| Total, Revenue from Local Agencies | | \$301,499 | \$485 | \$305,855 | \$500 | \$9,355 | \$500 |
| SERVICES TO THE PUBLIC: | | | | | | | |
| 140100 | Pay Patients Board Charges | \$13,475 | -- | \$19,185 | -- | \$17,650 | -- |
| 140900 | Parking Lot Revenues | 690 | -- | 690 | -- | 690 | -- |
| 141000 | Fire Prevention and Suppression | 1,445 | -- | 1,250 | -- | 1,250 | -- |
| 141200 | Sales of Documents | 452 | \$1,174 | 429 | \$1,505 | 429 | \$1,505 |
| 142000 | General Fees--Secretary of State | 68 | -- | 43 | -- | 65 | -- |
| 142300 | Guardianship Fees | 16 | -- | 20 | -- | 20 | -- |
| 142500 | Miscellaneous Services to the Public | 12,312 | 58,514 | 3,441 | 65,750 | 3,588 | 67,750 |
| 142600 | Receipts From Health Care Deposit Fund | 8,000 | -- | 8,000 | -- | 8,000 | -- |
| 142700 | Medicare Receipts From Federal Government | 6,091 | -- | 8,530 | -- | 7,830 | -- |
| Total, Services to the Public | | \$42,549 | \$59,688 | \$41,588 | \$67,255 | \$39,522 | \$69,255 |

SCHEDULE 12-C (Continued)
STATE APPROPRIATIONS LIMIT
NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT
(Dollars In Thousands)

| | Actual 1994-95 | | Estimated 1995-96 | | Estimated 1996-97 | |
|--|-------------------|------------------|----------------------|------------------|----------------------|------------------|
| | General Fund | Special Funds | General Fund | Special Funds | General Fund | Special Funds |
| USE OF PROPERTY AND MONEY: | | | | | | |
| 152000 Oil & Gas Lease - 1% Revenue City/County | \$109 | -- | \$100 | -- | \$90 | -- |
| 152200 Rentals of State Property | 6,183 | \$33,850 | 6,616 | \$31,116 | 6,678 | \$31,096 |
| 152300 Misc Revenue From Use of Property & Money . | 12,655 | 20,748 | 14,001 | 25,000 | 14,001 | 25,000 |
| 152500 State Lands Royalties | 68,587 | -- | 71,343 | -- | 65,453 | -- |
| Total, Use of Property and Money | \$87,534 | \$54,598 | \$92,060 | \$56,116 | \$86,222 | \$56,096 |
| MISCELLANEOUS: | | | | | | |
| 160400 Sale of Fixed Assets | \$1,284 | -- | \$1,323 | -- | \$42,044 | -- |
| 160500 Sale of Confiscated Property | 2,603 | -- | 3,628 | -- | 3,628 | -- |
| 160600 Sale of State's Public Lands | 86 | -- | 100 | -- | 100 | \$400 |
| 160700 Proceeds From Estates of Deceased Persons ... | 85 | -- | 100 | -- | 100 | -- |
| 160900 Revenue-Abandoned Property | 222,814 | -- | 165,000 | -- | 165,000 | -- |
| 161000 Escheat of Uncloimed Checks & Warrants | 3,481 | \$51 | 3,386 | \$50 | 3,386 | 50 |
| 161400 Miscellaneous Revenue | 4,503 | 14,297 | 3,902 | 15,888 | 37,104 | 15,926 |
| 161900 Other Revenue-Cost Recoveries | 32,478 | -- | -- | -- | -- | -- |
| 164200 Parking Violations | 1 | -- | 1 | -- | 1 | -- |
| 164300 Penalty Assessments | 20,235 | -- | 20,122 | -- | 20,122 | -- |
| 164400 Civil & Criminal Violation Assessment | 178 | -- | 140 | -- | 185 | -- |
| Total, Miscellaneous | \$287,748 | \$14,348 | \$197,702 | \$15,938 | \$271,670 | \$16,376 |
| Total, Minor Revenues | \$836,141 | \$150,542 | \$746,229 | \$160,509 | \$516,001 | \$162,927 |
| Totals, Non Tax Revenue | | | | | | |
| (Major and Minor) | \$836,640 | \$295,804 | \$746,734 | \$311,809 | \$516,506 | \$321,027 |

SCHEDULE 12-D
STATE APPROPRIATIONS LIMIT
TRANSFERS FROM EXCLUDED FUNDS TO INCLUDED FUNDS
(Dollars In Thousands)

| | Actual 1994-95 | | Estimated 1995-96 | | Estimated 1996-97 | |
|---|-------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| | General Fund | Special Fund | General Fund | Special Fund | General Fund | Special Fund |
| Transfers Per Sec. 13.95/94..... | \$1,276 | -- | -- | -- | -- | -- |
| Transfers Per Sec. 25385.8 H&S Code..... | 7,725 | -- | \$7,725 | -- | \$6,995 | -- |
| From Guide Dogs for the Blind Fund to General Fund (Per Item 1350-011-0001 BA 1994)..... | -- | -- | 11 | -- | -- | -- |
| From Alcoholic Beverage Control Fund to General Fund (Per B&P Code 25761)..... | 5,467 | -- | 6,480 | -- | 6,685 | -- |
| From Energy and Resource Fund to General Fund (Per Ch. 908, Statutes of 1980)..... | 310 | -- | 325 | -- | 325 | -- |
| From Fair and Exposition Fund to General Fund (Per Item 8570-011-0191)..... | 246 | -- | 511 | -- | -- | -- |
| From Satellite Wagering Account to General Fund (Per Item 8570-013-0192/95 & Item 8570-121-0192/94)..... | 2,700 | -- | 2,700 | -- | -- | -- |
| From Fish and Wildlife Pollution Account to General Fund..... | -- | -- | 5,900 | -- | -- | -- |
| From Business Fees Fund, Secty of State's to General Fund (Per Ch. 1059/91)..... | 2,157 | -- | 724 | -- | 4,906 | -- |
| From Mablethame Park Revolving Fund to General Fund (Per BA 1994 Sec. 13.70)..... | 34 | -- | 52 | -- | -- | -- |
| From Athletic Commission Fund to General Fund (Per Ch. 150/94)..... | 35 | -- | -- | -- | -- | -- |
| From Hazardous Waste Mgmt Planning Subaccount to General Fund (Per G. C. Sec. 1634)..... | 3 | -- | -- | -- | -- | -- |
| From Olympic Training Account, California to General Fund (Per Ch. 28, Stats 1989)..... | -- | -- | 200 | -- | 100 | -- |
| From Energy Resources Programs Account to General Fund (Per Item 3360-011-0465/95)..... | -- | -- | 3,549 | -- | -- | -- |
| From Boxer's Neurological Examination Account to General Fund (Per Ch. 150/94)..... | 181 | -- | -- | -- | -- | -- |
| From Environmental License Plate Fund, Calif to Motor Vehicle Account, STF (Sec. 21191 (B), Public Resources Code)..... | -- | \$4,453 | -- | \$4,354 | -- | \$4,152 |
| TOTALS | \$20,134 | \$4,453 | \$28,177 | \$4,354 | \$19,011 | \$4,152 |

SCHEDULE 12-E
STATE APPROPRIATIONS LIMIT
EXCLUSIONS
(Dollars in Millions)

| | Fund | Actual 1994-95 | Estimated 1995-96 | Estimated 1996-97 |
|--------------------------------------|---------|-------------------|----------------------|----------------------|
| DEBT SERVICE: | | | | |
| 9600 Bond Interest and Redemption | | | | |
| (9600-510-001) | General | \$1,852 | \$1,951 | \$1,959 |
| (9590-501-001) | General | 1 | 1 | 1 |
| 3960 Chapter 376/84 Toxics | | | | |
| (3960-535-484) | Special | 5 | 4 | 4 |
| Lease-Revenue Bonds (Capitol Outlay) | General | 325 | 414 | 487 |
| TOTAL DEBT SERVICE | | <u>\$2,183</u> | <u>\$2,370</u> | <u>\$2,451</u> |
| CAPITAL OUTLAY: | | | | |
| Various | General | \$11 | \$57 | \$75 |
| Various | Special | 41 ¹ | 79 ¹ | 50 |
| TOTAL, CAPITAL OUTLAY | | <u>\$52</u> | <u>\$136</u> | <u>\$125</u> |
| SUBVENTIONS: | | | | |
| 6100 K-12 Apportionments: | | | | |
| (6100-601-001) | General | \$8,232 | \$9,434 | \$10,359 |
| 6100 County Offices | | | | |
| (6100-602-001) | General | 111 | 153 | 190 |
| 6870 Community Colleges | | | | |
| (6870-101-001) | General | 1,016 | 1,183 | 1,287 |
| SUBVENTIONS -- EDUCATION | | <u>\$9,359</u> | <u>\$10,770</u> | <u>\$11,836</u> |
| 5195 State-Local Realignment | | | | |
| Vehicle License Fees | Special | \$759 | \$788 | \$822 |
| Vehicle License Collection Acct. | Special | 11 | 14 | 14 |
| 9100 Tax Relief | | | | |
| (9100-101-001) | General | 427 | 439 | 443 |
| Renter's Tax Credit | General | 7 | -- | -- |
| 9210 Local Government Financing | | | | |
| (9210-103-001) | General | 2 | 3 | 3 |
| (9210-603-001) | General | 2 | 1 | 2 |
| 9350 Shared Revenues | | | | |
| (9430-640-064) | Special | 2,208 | 2,295 | 2,396 |
| SUBVENTIONS -- OTHER | | <u>\$3,416</u> | <u>\$3,540</u> | <u>\$3,680</u> |
| MANDATES: | | | | |
| 6100 K-12 Desegregation | | | | |
| (6100-114-001) | General | \$421 | \$415 | \$415 |
| (6110-115-001) | General | 52 | 49 | 49 |
| 6100 K-12 Medicare | General | 45 | 45 | 45 |
| 6300 Contribution to STRS | | | | |
| (6300-602-001) | General | 518 | 530 | 548 |
| 6870 Community Colleges Medicare | General | 5 | 5 | 5 |
| Federal (Various Health and Welfare) | General | 1,206 | 1,101 | 1,107 |
| TOTAL MANDATES | | <u>\$2,247</u> | <u>\$2,145</u> | <u>\$2,169</u> |
| PROPOSITION 111: | | | | |
| Motor Vehicle Fuel Tax: Gasoline | Special | \$1,143 | \$1,183 | \$1,195 |
| Motor Vehicle Fuel Tax: Diesel | Special | 155 | 178 | 187 |
| Weight Fee Revenue | Special | 157 | 182 | 183 |
| TOTAL PROPOSITION 111 | | <u>\$1,455</u> | <u>\$1,543</u> | <u>\$1,565</u> |
| TOTAL EXCLUSIONS: | | <u>\$18,712</u> | <u>\$20,504</u> | <u>\$21,826</u> |
| General Fund | | \$14,233 | \$15,781 | \$16,975 |
| Special Funds | | \$4,479 | \$4,723 | \$4,851 |

¹ Changes to eliminate Proposition 111 Capitol Outlay.

